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ISRAELI TROOPS KILL 3 PALESTINIANS — Family members surrounding the coffin of Hassan Abu Thuraia, a member of Yasser Arafat's elite guard unit. He was one of three men killed Wednesday by Israeli border troops as one of the Palestinians tried to sneak from Egypt into Gaza. Page 10.

Squabbles Threatening To Sidetrack G-7 Summit

By Alan Friedman
International Herald Tribune

HALIFAX, Nova Scotia — If the leaders of the Group of Seven leading industrial nations were members of a corporate board of directors, their squabbles would probably paralyze the company.

Their indecision and deep divisions over strategy will be apparent Thursday, when the G-7 government chiefs arrive here for the start of their annual economic summit meeting.

The main unanswered question is to what extent the G-7 leaders—who together represent countries accounting for about 50 percent of the world economy—will need to paper over the differences when they issue their final communiqué.

Especially troubling for this summit meeting is that it risks being distracted if not derailed from its economic purpose by the violence in Bosnia, concern over France's decision to resume nuclear testing and—most of all—by the bad blood between the United States and the world's two most important other economies—Japan and Germany.

This distraction is especially troubling because it comes amid signs of slowing economic growth throughout the G-7.

Washington and Tokyo have been on the brink of a trade war since May 16, when the United States threatened to impose \$5.9 billion worth of punitive tariffs on Japanese autos unless Tokyo opened its market to U.S. cars and car parts.

The European Union, with the support of France, has launched repeated public attacks on Washington and praised it in private while simultaneously cozying up to the Japanese leadership. The tactic is an apparent effort by Sir Leon Brittan, the trade commissioner, to score by playing both sides of the dispute.

Relations between the United States and Germany have suffered, meanwhile, because of repeated public and private criticism of the Clinton administration's economic policies by government officials in Bonn and by the Bundesbank in Frankfurt.

"They don't know what they are doing in Washington on the dollar and the deficit, and their handling of the Mexican crisis was a mess," a senior German government official said.

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Sex Slaves: Japan Shows Remorse

By Nicholas D. Kristof
New York Times Service

TOKYO — In an effort to atone for Japanese behavior during World War II, the government announced Wednesday the establishment of a fund to help tens of thousands of women whom the Japanese Army forced to be sex slaves during the war.

The fund is an attempt to settle a long-standing irritant in relations with other Asian countries by showing remorse for forcing "comfort women," as they were then called, to serve troops in front-line

brothels. Most of the women were Korean, but some were Dutch, Indonesian, Filipino and Chinese.

The proposal falls short of what victims have been asking for, however. In addition, as a show of remorse it was undermined when legislators in the upper house of Parliament killed a resolution on Wednesday expressing remorse for Japan's conduct during World War II.

The lower house of Parliament approved a weak resolution of remorse on Friday night, but only after a majority of members either stayed away or voted no.

That resolution included no apology, and says only that Japan engaged in some "aggressive-like acts" in the context of other countries doing the same things.

Resolutions are statements of each individual chamber in the Parliament, so the lower house declaration still stands. But as a show of national remorse, it was undercut by the informal decision of upper house legislators not even to consider such a resolution in the current session.

In announcing the fund for the sex

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AGENDA

Rebel Iraqi Unit Sets Off Battle

AMMAN (AFP) — An armored unit mounted a rebellion on the outskirts of the Iraqi capital, Baghdad, on Wednesday and vowed to "fight to the death" in a showdown between the authorities and the powerful Dulaimi tribe, witnesses said.

The 14 July battalion attacked Baghdad Radio transmitters and a private heliport of President Saddam Hussein in the Abu Gharih area, 20 kilometers (12 miles) west of the capital, they said.

The attack, led by General Turki Ismail al-Dulaimi, triggered a battle with tanks, armored vehicles and helicopters, the witnesses said, contacted by telephone from Amman.

An air force general was killed in the fighting around the heliport where several homes of pilots were hit, they said.

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Asia-Pacific Nations Angered Over French Nuclear Tests

Japan Says Paris 'Betrays a Trust'

By Michael Richardson
International Herald Tribune

SINGAPORE — In a sharp setback to French efforts to improve relations with nations in the Asia-Pacific region, Japan on Wednesday accused Paris of "betraying" the trust of nonnuclear states by deciding to resume nuclear testing.

At the same time, Australia and New Zealand froze military ties with France in protest.

The 15-nation South Pacific Forum condemned the decision by President Jacques Chirac to conduct eight underground tests in French Polynesia in the South Pacific between September 1995 and May 1996.

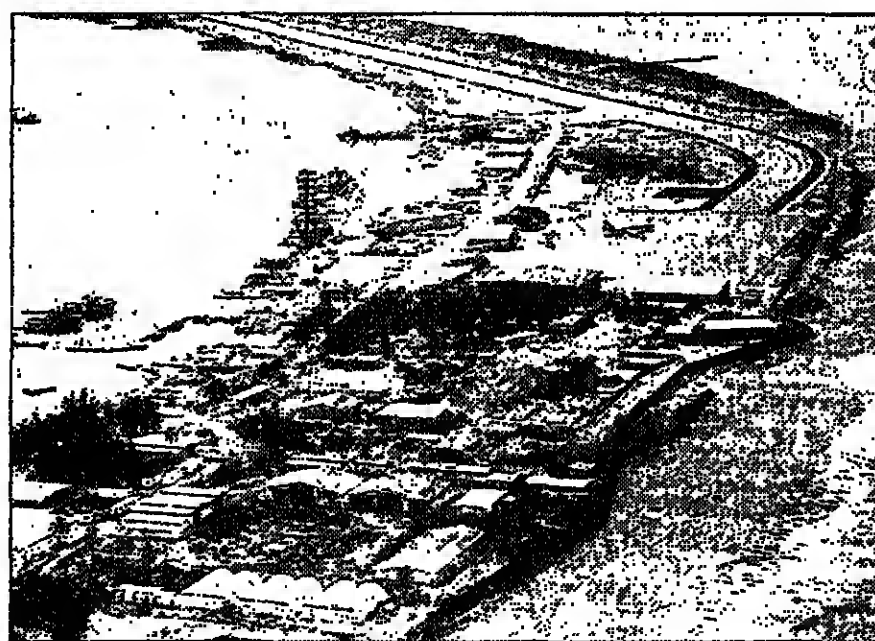
"This flagrant disregard for world and regional opinion will do considerable damage to France's relations" with countries around the Pacific, said Iremia Tabia, secretary-general of the forum.

Asian officials said they feared that Paris's resumption of tests would encourage China to press ahead with its own program to develop a new generation of longer range and more accurate nuclear weapons with multiple warheads, despite strong opposition in the region.

Until Mr. Chirac reversed the no-test decision made in April 1992 by his predecessor, François Mitterrand, China was the only one of the five declared nuclear powers that had refused to observe a moratorium on testing.

Officials in the Pacific region expressed concern Wednesday that the French move would upset negotiations to bring a formal ban on all nuclear testing into force by the end of 1996.

Prime Minister Paul Keating of Australia



The airport and test site on France's Mururoa atoll in the South Pacific.

lia said that any further tests by any of the nuclear weapon states would "inevitably cloud the positive and constructive atmosphere" of the talks in Geneva on a Comprehensive Test Ban Treaty.

He said that the actions of both France and China, which carried out an underground nuclear test on May 15, ran counter to the pledges that they had made to exercise "utmost restraint" in atomic testing.

The pledges were made to the international conference in New York that voted to extend indefinitely the Nuclear Non-proliferation Treaty, in the expectation that all testing would be halted immediately.

Japan was so upset by France's an-

Chechen Gunmen Kill 10 in Russia and Take 200 Hostages

By Lee Hockstader
Washington Post Service

MOSCOW — Dozens of gunmen believed to be Chechen rebels raided a town in southern Russia on Wednesday, setting homes and government buildings on fire, spraying the streets with automatic weapons fire and killing at least 10 police officers and civilians in fierce fighting before fleeing with 200 or more hostages.

Although officials in Moscow immediately accused Chechen rebels for what they called an act of terrorism, there was no immediate way to confirm who was responsible for the attack on Budennovsk, a town of 54,000 people about 200 kilometers (120 miles) north of the border with Chechnya.

If the gunmen do turn out to be rebels, the assault would mark the first time they have made good on long-standing threats to carry their separatist struggle beyond the borders of Chechnya to strike at Russia.

The gunmen who attacked the town raised a Chechen flag over the city hall. Agence France-Press reported, quoting news reports in Russia, Russian television broadcast footage from Budennovsk showing one of the attackers holding the green, white and red flag that is the symbol of the Chechen independence drive.

A spokesman for President Boris N. Yeltsin blamed the Chechens, who in recent weeks have suffered a number of sharp military setbacks in their six-month-old war against the Russian Army.

"The president is deeply concerned by the terrorist attack of Chechen militants in the Stavropol region, which resulted in casualties, hostages, disruption of the constitutional order," Mr. Yeltsin's spokesman, Sergei Medvedev, said.

The raid on the town appeared to be carefully planned. Russian media reports said that anywhere from 30 to 100 men, armed with assault rifles and grenade launchers, entered the town at midday in two large trucks, apparently accompanied by a pair of stolen police cars.

They were able to bypass checkpoints by telling the police that the trucks carried the bodies of dead Russian soldiers from the fighting in Chechnya, the reports said.

Once in the town, they split up into small groups and fanned out to a number of selected targets, the reports said.

The attackers seized or besieged government buildings, including the local headquarters of the Federal Security Service. At the police station, they engaged in a fierce firefight with officers who barricaded themselves inside.

The Interfax news agency reported that the gunmen also attacked a public hospital, setting up a machine gun on the roof, and the local communications center, cutting phone links with the city and taking hostages.

Officials in the Stavropol region, where the town is located, said there also was fighting around a major chemical plant. The Russian press agency Itar-Tass quoted sources as saying that the attackers had tried but failed to blow up the plant.

Six police officers were reportedly killed, including the chief of the local criminal division. Other reports said that a bus with six passengers had been blown up, and that other buses carrying students were seized by the gunmen.

Eight of the attackers were reported captured in the attack.

After a few hours, the attackers were reported to have fled in small groups south toward Chechnya.

Oleg N. Soskovets, the first deputy prime minister, said all airports in the region would be closed at midnight. And the authorities said that security was being intensified in Moscow, including increased surveillance of 86 sensitive sites.

Itar-Tass quoted unconfirmed police reports that the trucks that carried the attackers had crossed the administrative border between Chechnya and Stavropol.



West Stresses Goal Of Total Ban in '96

By Joseph Fitchett
International Herald Tribune

PARIS — In contrast to vociferous protests from the Pacific area about France's decision to resume nuclear tests, the United States and other major Western governments took the decision in stride Wednesday, seeing it as the price of getting France to sign up next year for a permanent halt to testing.

"The comprehensive test ban treaty is what we really care about, and this last series of tests was always likely to be the political price," a Clinton administration official said.

At a press conference in Washington Wednesday, President Jacques Chirac was unmoved by the international dismay.

Appearing at a press conference with President Bill Clinton and Jacques Santer, president of the European Union Commission, he said: "I am not at all willing to go back on my decision."

Western diplomats in Paris minimized the concern, voiced in some capitals, that a final series of French tests would cause political damage by undermining the international consensus on reducing the role of nuclear weapons.

Charles Millon, the French defense minister, said that eight French tests — after more than a thousand by the United States — could not be viewed as a dangerous precedent liable to foster nuclear proliferation.

In any case, Prime Minister Alain Juppé said Wednesday, France sees the reliability

See FRANCE, Page 10

Burma Cracks Down on a 2,000-Year-Old Beloved, if Messy, Vice

By Philip Shenon
New York Times Service

RANGOON — With darting eyes and a conspiratorial whisper, an anxious Burmese merchant agreed to lead a prospective customer to the source of this newly illicit drug.

"You must follow me," he explained, making his way through the dark maze of shops in a covered spice market, the air filled with a fragrant mist of curry powder and cinnamon.

He stopped suddenly. "Here it is," he said, pointing to a shop where a fellow merchant was bravely—and perhaps fool-

ishly—displaying a canvas bag bursting with small slices of what appeared to be a copper-colored acorn. "Here is the betel. It is illegal, but very precious."

Ending almost 2,000 years of social and medicinal history here, the generals who run Burma have banned the sale of betel, the chewable nut that is to the Burmese what liquor and tobacco are to much of the rest of the world.

For now, betel sales are outlawed only in Rangoon, but the junta clearly sees the chewing of betel as a crisis of national proportions.

The generals are concerned not so much about public health—while only a mild

stimulant, betel has been linked to oral cancer and gum disease—as about keeping the streets of Rangoon clean for foreign tourists, who are seen as the saviors of the Burmese economy.

"Betel chewers are tarnishing the beauty of the capital by spitting unceremoniously on roads, pavements, overpasses, and at other places," the junta's Rangoon City Development Committee said in April in announcing the ban.

The government has posted a no-betel sign—a red circle enclosing the shadow of the face of a man spitting betel, with a red slash—and has closed hundreds of

street-corner betel stands, forcing the betel merchants to find other work.

Whatever anyone might think of this country's notoriously brutal generals, they do have a point about betel chewing and, more precisely, betel spitting.

For centuries, the streets of Rangoon have run red with betel juice, produced after several minutes of chewing and sucking on the bitter-tasting nut. For pedestrians, the results are unpleasant, if not unhygienic.

"I am sorry that the foreigners do not like to see the red stains in the street, but this is a habit I learned as a boy, just as my father did, and his father," said a 34-year-

old factory worker, his teeth blackened and lips dyed a shade of scarlet, the evidence of a devoted betel chewer. (While betel sales are banned, chewing it is not yet.)

"How can the government suddenly tell us that we cannot enjoy this tradition?"

The Burmese junta loves to make rules, which is one more reason that it is so widely disliked among Burma's 45 million people.

The junta took power in 1988 in a violent crackdown on a nascent democracy movement led by Daw Aung San Suu Kyi, the daughter of Aung San, the assassinated soldier considered the father of modern

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Dow Jones	Tris Index
Up 6.57	Up 0.47%
4491.08	121.16

The Dollar	Wed. Close	Previous Close
DM	1.401	1.4083
Yen	1.612	1.5956
Yen	84.40	84.615
FF	4.9195	4.8495

Newsstand Prices	Newsstand Prices
Argentina 500 FF	London 60 L. FF
Australia 11.25 FF	Morocco 19 Dh
Brazil 1.400 CFA	Pakistan 110 Rupee
Canada 1.200 CFA	Saudi Arabia 9.00 FF
France 500 FF	Serbia 960 CFA
Germany 84.40 CFA	Spain 225 Ptas
Greece 350 Dr	Tunisia 1.250 Din
Italy 2.600 Lira	Turkey 1.450 Lira
Japan 120 CFA	U.S. 85 Cents
Jordan 1.50 J.D.	U.S. 51.10
Lebanon 1.50 L.L.	

Smuggling People / Big-Time Crime in Eastern Europe

Inventive Swindlers Prey on Desperate Aliens

By Raymond Bonner
New York Times Service

ZAKOPANE, Poland — On a recent Saturday morning, some three-score residents of this mountain community assembled at the ski jump for a trip to the United States, first by bus to Germany, then on Lufthansa across the Atlantic.

They included a grandmother and her 3-year-old grandchild, a mother and her three children, several unemployed women in their 20s and a few men in their 70s. Each had paid at least \$6,000.

They had paid the money as sponsors of a local sports club and were accompanying the national weightlifting team to a competition in Chicago — or so their documents said.

But the only thing these people were sponsoring was their own entry into the United States. No sports team was going to Chicago, or anywhere else.

It was all organized by the chairman of the club, who had been successful in the past in getting Poles without valid visas into the United States, said two people who signed up for the most recent attempt. This time, though, an immigration officer at the Frankfurt airport suspected that the American visas were forged, which they turned out to be, officials said. The immigrants were sent home.

The case is part of a growing phenomenon — trafficking in illegal immigrants from and through Eastern and Central Europe.

Immigrants from Sri Lanka, Bangladesh, and Afghanistan, and from Africa and the Middle East are being smuggled to the West, moved along routes that have developed since the Communists fell and, with them, rigid border controls. They are being moved in many ways, among them freight-hauling trucks and ship cargo containers.

WHAT worries officials most is that international crime syndicates are getting involved in illegal immigration.

"There are tangible indicators that the smugglers of stolen automobiles and illicit narcotics have decided to diversify their portfolio to include alien smuggling," Thomas Tass, a Canadian immigration official, wrote in a paper he delivered recently to a conference in Budapest.

"These organizations should not be underestimated in their ability to move thousands of people illegally from one country to another while earning huge profits with minimum risk," said Mr. Tass, who is based in Warsaw and is considered the leading authority on this issue.

Smuggling people fits well into an organized crime conglomerate. A desperate alien who cannot afford the fee may be allowed to go in exchange for carrying drugs, and the immigrant will be expected to work for the gang in the United States or Europe, as a prostitute or a drug dealer, to pay back the money, officials said.

As for profits, the organizer of the weightlifters' tour, Stefan Kozioł, 35, took in nearly \$400,000, according to two women in the group. Mr. Kozioł is now in jail on charges of fraud. He has not been charged with smuggling people, which is not a crime in Poland. Polish authorities declined to allow him to be interviewed, but he has said he is innocent.



Two Africans passing the time in temporary quarters in Hungary for would-be immigrants without residence permits.

The International Center for Migration Policy Development, a nonprofit, intergovernmental organization in Vienna, has calculated that illegal immigration syndicates in Europe raked in between \$100 million and \$1.1 billion in 1993.

The wide range in the estimate is a reflection of how little is known about the problem, the gravity of which is only beginning to register. Interpol has no coordinated campaigns in this area, officials said. The funds the European Union has made available for economic restructuring in Eastern and Central Europe can be used to combat drug trafficking, but not trafficking to illegal immigrants, said Tamas Kiss, who works for the Migration Policy Center.

The traffickers have been successful in staying ahead of ill-trained local police, who are inexperienced in dealing with this problem.

"It is like drugs — there are routes," said Colonel Attila Krisan, spokesman for Hungary's Border Guards, who seized nearly 15,000 illegal immigrants last year from scores of countries who were trying to move through Hungary.

Common European entry points for refugees from Asia, the Middle East and Africa are Romania and Bulgaria, which have

more lenient visa requirements and weaker law enforcement than other countries in the region.

EARLIER this year, somewhere in Romania, 60 Bangladeshis were loaded into the back of a long canvas-covered truck, which was hauling tomato paste to Germany.

The truck successfully crossed into Hungary and made the journey of several hours to Slovakia. In Slovakia, customs officials lifted the cover and were shocked to find people. The men were heading for the West to find jobs and had paid \$2,500 to \$4,000 each to a trafficker.

For illegal Asian immigrants, Chinese restaurants in Eastern European capitals often provide a cover.

They provide the immigrants with work permits, which get them into the country. After working for awhile, they move on — to Germany and, in many cases, to the United States, officials said.

"The raison d'être for these businesses goes beyond providing alternative menus" for local residents, Mr. Tass, the Canadian immigration official, noted wryly at the conference in Budapest.

He told of one Chinese restaurant in Prague

that employed more than 800 people. "Even more remarkable was the fact that the restaurant had only eight tables," Mr. Tass said.

Another growing gateway to the West is through the Baltic republics of Estonia, Latvia, and Lithuania. Immigrants moving through these countries, including large numbers from the impoverished former Soviet republics of Central Asia, then travel by sea to Scandinavia.

Many of the immigrants reach the Baltic countries via Moscow.

Last year, 64 Kurds and Pakistanis, including 26 children, were discovered in a sealed container on a car ferry from Tallinn, Estonia, to Stockholm.

Last December, a Latvian ship with more than 100 Iraqis, Afghans, and Palestinians, who had paid \$5,000 a piece, ran aground off the coast of Estonia.

In late May, the Polish police detained 49 Asians who had made it to the Baltic lands, then crossed from Lithuania into Poland, where their luck ran out.

Moscow has become a major transit center for migrants from Asia, Africa, the Middle East and Central Asia.

By train, bus or plane, they move west to Poland and the Czech Republic, and then on to the West.

German Touts Way To Snuff Out Fires With a 'Hot Bang'

By Brandon Mitcheener
International Herald Tribune

FRANKFURT — When Reinhard Ries sees footage of forests burning in Sydney, along the coast of Spain or in Malibu, California, what frustrates him as much as the damage done is that nothing big ever burns close enough for him to take a whack at putting it out.

"It's too bad, but we've never had a forest fire here," Mr. Ries, the chief of the Frankfurt Fire Department, said with a sigh.

Together with an uncle, Winfried Rosenstock, who is an explosives expert, Mr. Ries hopes to test a method of fighting major blazes where they are more common — in Australia, the Mediterranean or the southwestern United States. The method they invented — the Rosenstock-Ries System, which is also called 2rs or the "hot bang" — has been patented and put on sale.

"Portugal wants to see it in any case," Mr. Ries said, "and Spain is more than interested."

In Australia, the Department of Forestry and Bush Fires is organizing a controlled test, and the armed services are "very, very interested," said Peter Mysliwicz, a 2rs representative in Melbourne.

The method consists of laying an oversize plastic hose with an explosive wire inside in front of an approaching fire wall — or around any large blaze — then filling the hose with water and blasting it into droplets that put the fire out in a kind of dense fog bank that expands at a rate of 100 meters (330 feet) a second.

The technique uses only a tenth the water of conventional fire-fighting methods and has the advantage of being administered exactly when and where it is needed.

"In Malibu, they could have used the swimming pools," said Mr. Ries, referring to fires last year that caused millions of dollars in damage in Southern California. "The water was right where they needed it, but no one knew how to use it."

Fire fighters did spray pool water on houses in Malibu, but the amount of water was dwarfed by the intensity of the fires. Mr. Ries said his method reverses the odds by dispersing hundreds of tons of water at the heart of a fire in a matter of seconds. The impact of the blast

snuffs out the fires and dramatically lowers the temperature.

Harold McCann, a retired Los Angeles fire chief, was skeptical when asked about the applicability of the technique in California.

"The 2rs system seems impractical," he said. "We don't put out forest fires — Mother Nature does."

But Rick Hinch, assistant chief officer for planning and technical support at the Western Australia Fire and Rescue Service, who first heard about the technique toward the end of the region's fire season a few months ago, said it had some potential and deserved a test in a live-action situation.

Peer Reichenbach, head of the technical department of the Hamburg Fire Department and an authority on fighting forest fires, also said the technique must prove itself.

So far, the technique has been tested successfully in controlled experiments in Germany and Australia. A videotape that Mr. Ries has been playing at international fire-fighting conventions since the first test last September shows the hot bang snuffing a large-scale wood fire and an airplane fire in a matter of seconds, leaving smoke, dew and small bits of plastic in its wake. Another test is scheduled for Aug. 31 in Frankfurt.

The first tests leave a positive impression," Mr. Reichenbach said. "The hose can shoot a fire dead, but it doesn't quench the glowing embers below. What we have now is a technology without a comprehensive strategy."

In addition to its apparent effectiveness, the method attracts potential users because of its minimal cost and lack of risk to human life.

"The hoses are completely undangerous," Mr. Ries said.

Walter Heeg, head of the factory fire force at Hoechst, the large chemicals company based in Frankfurt, said the technique "will go far beyond fighting forest fires."

Others see uses in logging, oil refining and cotton plantations, and even say it could help slow global warming.

Tom Koenigs, a senior member of the environmentalist Greens Party in the Frankfurt city administration, is helping Mr. Ries sell the European Union on the idea of a mobile force of specially trained fire fighters based in Frankfurt and partly financed by the Union.

At 9 Out of 10 EU Beaches, the Water's Fine for Bathers

BRUSSELS — For vacationers heading to the beach in Western Europe, there is mostly good news.

Figures for 12 European Union countries show that 90 percent of coastal zones designated for bathing met EU standards for water quality.

But, the EU cautions, it is wise to be wary in Germany, Britain and possibly the Netherlands.

More than one third of Dutch beaches break EU norms for waterborne bacteria, according

to the EU's 1994 bathing water quality report made public on Wednesday, which includes designated bathing beaches for which there were no data.

Among these is the popular Scheveningen beach next to The Hague and several beaches in Zeeland.

Figures for Britain and Germany, where up to one in five designated beaches broke EU water rules, gave a truer picture of water quality because of more complete reporting.

The south beach at Blackpool, in northwestern England,

breaks EU water norms, as does the one at Brighton on the south coast.

And nudists testing the water on Germany's Sylt Island should also beware as they could be exposed to substantial water at all three of the upmarket Kampen's bathing areas.

The EU's tests measure bacteria in the water, mainly generated by human waste from sewage outfalls. The bacteria can cause a range of infections, including gastroenteritis.

But over all, vacationers

bound for summer breaks on EU beaches can take some comfort from a slight improvement in bathing water quality, a European Commission spokesman, John Iversen, said.

"There has been a slight improvement last year" in EU bathing water quality, he said. "This improvement in the quality of sea water has been constant for some years now."

Data for the new EU members Austria, Sweden and Finland are not included.

Vacationers prepared to take a gamble on the weather should

head for Ireland, top of the EU class for the quality of its bathing water in all designated areas, inland and coastal, which meets all the mandatory norms.

The warmer beaches of southern EU countries such as Spain, Greece, France, Portugal and Italy generally met the 90 percent average, though the latter two fell below.

In the 20 years since the water quality standards were adopted, there has been a gradual improvement for coastal waters, but the quality of inland

bathing areas has fallen. Only 65 percent of these designated zones met the standards.

Swimmers should also be aware that recorded improvements relate only to mandatory norms in zones the countries have designated as bathing areas.

Of the noncompulsory quality measures, perhaps the most controversial is one for "floating material."

The term includes discarded sanitary towels, condoms and human waste on the water surface.

An Upscale but Low-Rent Housing Scandal Hits Chirac

PARIS — President Jacques Chirac and his successor as mayor of Paris, Jean Tiberi, faced fresh embarrassment Wednesday over the allocation of plush city housing to cronies and journalists at below-market rents.

An investigative newspaper, Le Canard Enchaîné, which has disclosed that Mr. Chirac and Prime Minister Alain Juppé occupy luxury apartments from

city-controlled companies at knock-down rents, reported that Mr. Tiberi's two children also lived in low-rent city-owned apartments.

The disclosures came just four days before runoff voting in local elections. Mr. Tiberi is virtually certain to be elected mayor of the conservative city for six years. He assumed the post on Mr. Chirac's election as president in May.

Mr. Tiberi denied the report,

saying Le Canard Enchaîné went "beyond the realms of the acceptable."

"I cannot accept that my family is attacked," he said. "I have been called into question personally, which would not be serious because I have nothing to be concerned about morally. But they are now attacking my family. It is something I cannot accept." He added, "I think it is a particularly serious perversion of democracy."

The Canard said in its Wednesday edition that the mayor's children, aged 34 and 35, had been allocated public housing while they were receiving rent on apartments given to them by their parents.

"But instead of vacating their public housing so the ill-housed could take advantage of it," the paper wrote, "they raised the rents and found new tenants for their own apartments."

The weekly also published a list of local politicians, senior government officials and journalists on high salaries who it said were renting city properties for the market rate.

Among them was Mr. Chirac's deputy chief of staff, Jean-Pierre Denis, several other close Chirac aides, two former cabinet ministers, a son of former Prime Minister Edouard Balladur and other Gaullist party notables. The newspaper called

it the "Chiracown" scandal. Le Canard Enchaîné said some of the elite tenants had confirmed the amount of their rents, while others had replied that City Hall had told them not to make the information public.

Le Canard Enchaîné said it appeared that the city authorities had systematically rented public properties to politicians, senior civil servants and journalists over the years at bargain rents. (Reuters, AFP)

TRAVEL UPDATE

Pharaoh's Tomb Located in Egypt

CAIRO (Reuters) — Egyptian archaeologists have discovered a pharaonic tomb believed to belong to a king of the 18th dynasty under a house in the southern province of Luxor, the Supreme Council of Antiquities said.

"We believe there are many more tombs in the village of Komer Mariut that people have built houses upon," said Abdel Halim Nouruddin, director of the council. Mr. Nouruddin said the excavators could barely make out the inscriptions found in the tomb, but that they believe it could belong to a king called Tuthmosis who ruled Egypt nearly 3,500 years ago.

Relief depictions of the ancient god Anubis mummifying a body watched by Isis and Nephtys, two sister goddesses who guard the dead, are etched on the walls.

Air traffic in Scandinavia was paralyzed for the third day in a week on Wednesday when pilots working for Scandinavian Airlines System went on strike over pay, SAS said. SAS said 800 flights would be canceled and 40,000 to 50,000 passengers affected by the strike during the day. (Reuters)

Muscovites also are enduring a record heat wave, with average temperatures of 29 degrees centigrade (85 degrees Fahrenheit) over the last three weeks. A stretch of the Moskva River southeast of Moscow was closed after health officials had found the bacteria that causes cholera. (Reuters)

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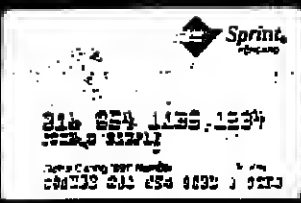


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Australia	3-10-155	France	1166-977	Jamaica (Spanish/Jamaican)	5	Philippines (Manila)	105-011
Australia (Sydney)	1-800-351-10	Germany	999-171	Japan (Tokyo)	1-800-877-3000	Philippines (Cebu)	105-011
Austria	1-800-481-877	Greece	354-6777	Japan (Osaka)	0066-55-877	Poland	0084-800-115
Bahamas	024-902-014	Hong Kong	002-202-100-3	Japan (Nagoya)	0079-131	Portugal	00353-877
Bahrain	1-800-399-3111	Hungary	004-200-01-877	France	0030-12	Puerto Rico	1-800-877-8000
Belize	800-777	Iceland	9800-1-0284	Guam	009-137	Romania	01-800-0877
Bermuda	1-800-877-3000	India	0130-0913	Guatemala	001-800-877-3000	Russia (Moscow)	155-4133
Bolivia	0800-10094	Indonesia	005-005-011	Honduras	005-1268	Russia (St. Petersburg)	8085-153-4133
Brazil	1-800-422-0877	Iran	005-1268	Italy	005-1268	Saudi Arabia	1-205-0088
Bulgaria	0800-3333	Israel	193	Japan	005-1268	Senegal (Dakar)	173-1877
British Virgin Islands	1-800-877-3000	Italy	121	Malaysia	800-011	South Africa	1800-15
Bulgaria	00-300-1010	Japan	800-1877	Mexico	95-800-877-8000	South Korea	8000-777-777
Canada	1-800-877-3000	Malaysia	011	Morocco	19-9088	Sri Lanka	0094-800-115
Cayman Islands	1-800-366-4663	Maldives	009-800-01-877	Netherlands	06-222-4119	Switzerland	0041-800-011
Chile	00-0317	Malta	800-9003	Netherlands (Amsterdam)	001-800-745-1111	Sweden	123-7777
China	108-13	Malta	000-137	Netherlands (Rotterdam)	012-0-800-877-8000	Switzerland	0041-800-011
Colombia	980-300-010	Malta	001-801-15	New Zealand	001-800-745-1111	Switzerland	0041-800-011
Costa Rica	0050-0013-6112	Malta	005-801-15	New Zealand (Invercargill)	001-800-745-1111	Switzerland	0041-800-011

EUROPE

Yeltsin Accepts Resignation of Lebed, a Popular General

By Steven Erlanger
New York Times Service

MOSCOW — President Boris N. Yeltsin accepted the resignation Wednesday of the Russian Army's most popular and outspoken commander, Lieutenant General Alexander M. Lebed, creating a powerful potential challenger for the 1996 presidential elections.

Gruff, honest, authoritarian in style and relatively moderate in his political

views, General Lebed, 45, has until now been a kind of Colin Powell of Russian politics: attractive but vague about his ambitions. Now he has become a sort of Douglas MacArthur in a country that polls say is yearning for strong leadership.

General Lebed, a former boxer and a veteran of Afghanistan who says he is an admirer of the former Chilean military dictator, Augusto Pinochet, has been a fierce critic of Russia's war in Chechnya and of Mr. Yeltsin's de-

fense minister, General Pavel S. Grachev.

In a brief telephone interview Wednesday night, General Lebed said he had no formal notification from Mr. Yeltsin.

"The president is sick and tired of me and I am sick and tired of him," he said.

General Lebed, who considers Russia still an empire and not yet a democracy, has recently joined the ruling board of a relatively moderate nation-

alist party, the Congress of Russian Communities.

Mr. Yeltsin clearly did not want to dismiss General Lebed and release him from military loyalty to the head of state. In August 1994, when General Lebed defied General Grachev over a transfer from his post as commander of the Russian 14th Army in Moldova, a former Soviet republic between Ukraine and Romania, Mr. Yeltsin supported General Lebed.

But Russia has signed a pact with

Moldova to withdraw the 14th Army, a decision General Lebed opposes as precipitate and likely to lead to renewed fighting between Moldovans and a breakaway Russian-dominated enclave.

Two weeks ago, faced with direct orders to disband his command and take another post, General Lebed wrote a letter of resignation and appeared before the Parliament, saying he wanted to prevent "another Chechnya."

BRIEFLY EUROPE

EU Likely to Limit Fishing Rights

BRUSSELS — European Union fisheries ministers are expected to override Spanish objections and approve proposals on Thursday to control how much fishing each member state does in Western waters, EU officials said.

The proposals are linked to an EU decision last December to give Spain and Portugal full fishing rights off the west coasts of Britain and Ireland from Jan. 1, 1996.

So-called fishing effort limits, calculated according to fleet capacity and time spent at sea, are aimed at preventing increased fishing. (Reuters)

More Political Strife for González

MADRID — Just weeks before Spain assumes the chairmanship of the EU's rotating presidency, a newspaper's revelation of possible illegal eavesdropping by Spain's main intelligence service has resulted in another political scandal for the governing Socialists and renewed calls for Prime Minister Felipe González's resignation.

Front pages of newspapers across Spain on Wednesday carried stories about the eavesdropping by CESID, the military intelligence service, that reportedly recorded conversations by everyone from King Juan Carlos to the president of Real Madrid, this year's first-division soccer champion.

Mr. González told reporters Wednesday that he first learned about the issue from the newspapers. (AP)

New Threats to Major's Survival

LONDON — John Major's chances of surviving as prime minister were widely questioned on Wednesday as his government battled to control a new bout of infighting over Europe and a row over illegal arms sales to Iran.

Newspapers said the chance of a challenge to Mr. Major for leadership of the Conservative Party rose after a bad-tempered meeting between the prime minister and anti-European Conservative members of Parliament. (Reuters)

Berlusconi v. Judges, Next Round

ROME — Coincidence it may be, but Milan's magistrates seem to time their punches to perfection in their bruising battle with Silvio Berlusconi, the former prime minister.

News on Tuesday that prosecutors want the billionaire politician put on trial for alleged tax fraud on a land deal broke after Mr. Berlusconi had tasted victory in referendums that could have forced him to break up his television empire.

The triumph fired Mr. Berlusconi's flagging political fortunes, allowing him to renew his demand for an early general election this autumn and to reassert leadership of his center-right Freedom Alliance coalition. (Reuters)

Calendar

European Union events scheduled for Thursday, June 15

STRASBOURG: Parliament votes on the situation in Chechnya and relations with Russia, and debates the issue of French nuclear testing.

LUXEMBOURG: Fishery ministers meet to discuss outstanding issues regarding a fishing agreement with Morocco.

GENEVA: The social affairs commissioner, Padraig Flynn, attends a meeting of the International Labor Office.

BRUSSELS: The transport commissioner, Neil Kinnock, meets Sir Colin Marshall, chairman of British Airways. Sources: Agence Europe, AFP.

EUROPEAN TOPICS

Bikers Succeed Skiers In Flying Down Slopes

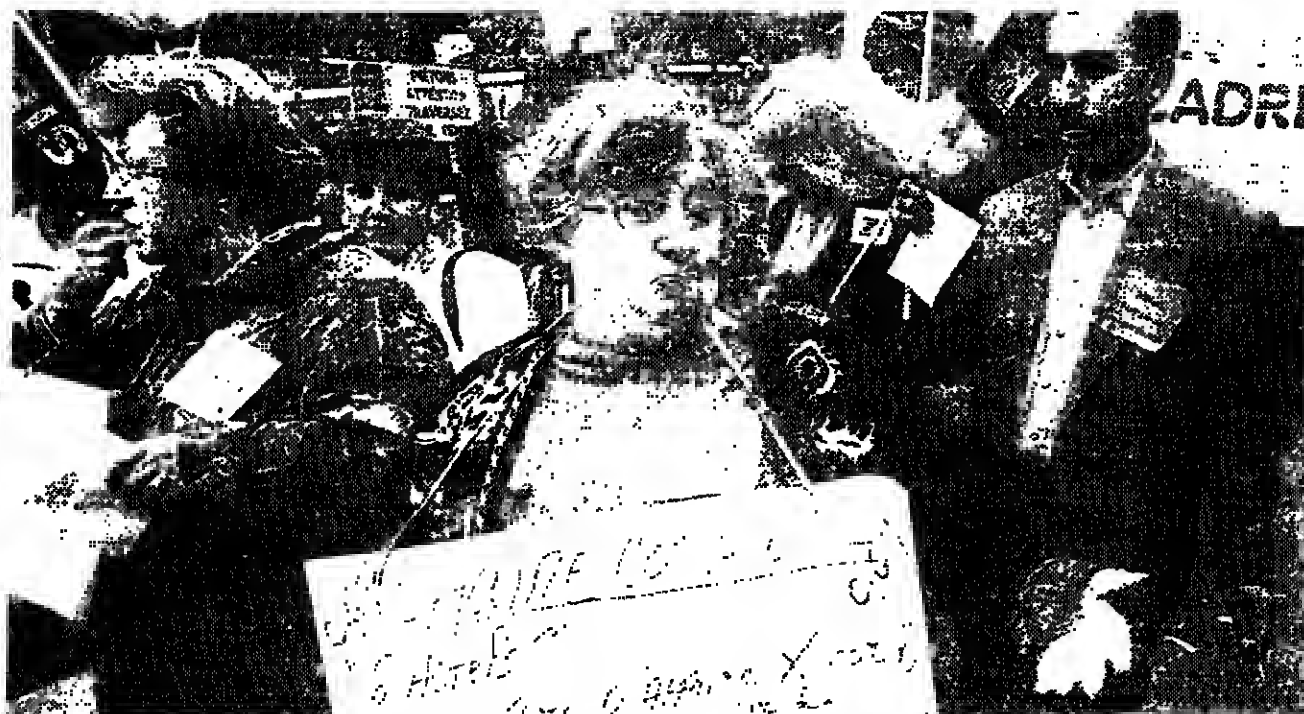
What to do with all those ski lifts and rock-covered mountain pistes if, as some predict, global warming dramatically shortens the ski season? Increasingly, European ski stations are opening their facilities to mountain bikers.

At Zermatt and Laax in Switzerland; Ehrwald, Ischgl and Scheffau in Austria; Chamonix and Méribiel in France; and Aspitz, Kreuznach and Hausberg in Germany, lifts have been opened to sports riders with their bikes. Some resorts have reserved trails exclusively for bikers; group outings are increasingly common. The stations are thus appealing to a fast-growing group: In Germany alone, some 700,000 mountain bikes are sold each year, reports the German weekly Focus.

But environmentalists worry about the potential damage to vegetation. And the high speeds (up to 80 kilometers or 50 miles per hour) and steep gradients can lead to serious injuries — half of them to the head.

Around Europe

Poland has Europe's most dangerous highways, in terms of deaths per population. A record 6,744 traffic deaths were reported there last year; in the first quarter of this year, there were 159 more than in the year-earlier period. The Poles are paying the price of



'LET'S GO' — A General Labor Confederation member blowing her whistle Wednesday as a Paris protest began.

change. In the last six years, the number of cars has doubled. Add to that an explosion in visitors — 16 million foreign vehicles crossed into Poland last year — and the country's inadequate roads and highways have become seriously overburdened.

What to do when a bostage-taker demands a fast getaway car? The situation seems to be arising more and more often in Germany. And when the demand is for, say, a Porsche 928 (as in a recent case), the police have their work cut out for them. Rental firms tend to be skittish. Sometimes calling on private individuals is an

answer. When the police in Celle were asked by two prison escapees for a fast car, they first called a big Porsche distributor. The dealer did not have the right model on hand but contacted a client — himself a regional police official. He agreed.

The decline of the Russian empire is being felt in French classrooms: The number of secondary school students studying Russian has dropped by more than one-third in the last 10 years, Nikita Srouve, director of the Slavic language department at Nanterre University, blames the French news media for painting a

"much too negative image" of Russia.

The new geographic center of the European Union has been determined by the National Geographic Institute in Paris — but unfortunately, the place does not exactly exist.

When Austria, Finland and Sweden joined the EU, its center shifted from the French village of Saint-Clement, northwest of Lyon, to the commune of Viroinval in Belgium's Ardennes forest. But a frustrated reporter from the French daily Le Figaro found that there is no Viroinval; rather, there is, but it combines eight towns and villages.

The National Geographic people had affixed a sign to the tree that represents Europe's exact center. The sign since has vanished. Can Europe's center hold, if there is no center?

Well, wherever it is, it is a lovely area: Viroinval's slate-roofed houses of sturdy stone overlook the broad Meuse River; the surrounding forests are full of deer and wild boar, of blueberries and huckleberries, of heather and meadowsweet. Not a bad center for Europe — even if there is no there there.

Brian Knowlton

Atom Deal In Danger, Russia Says

The Associated Press

MOSCOW — Russia accused the United States on Wednesday of trying to drop the price on uranium it agreed to buy from Moscow in 1992 as part of a nuclear disarmament program.

An official of the Nuclear Energy Ministry, Vitali Konovalov, was quoted by the Interfax news agency as saying that U.S. negotiators were trying to cut "by one-third to one-half" what Russia considered a fair price for the uranium.

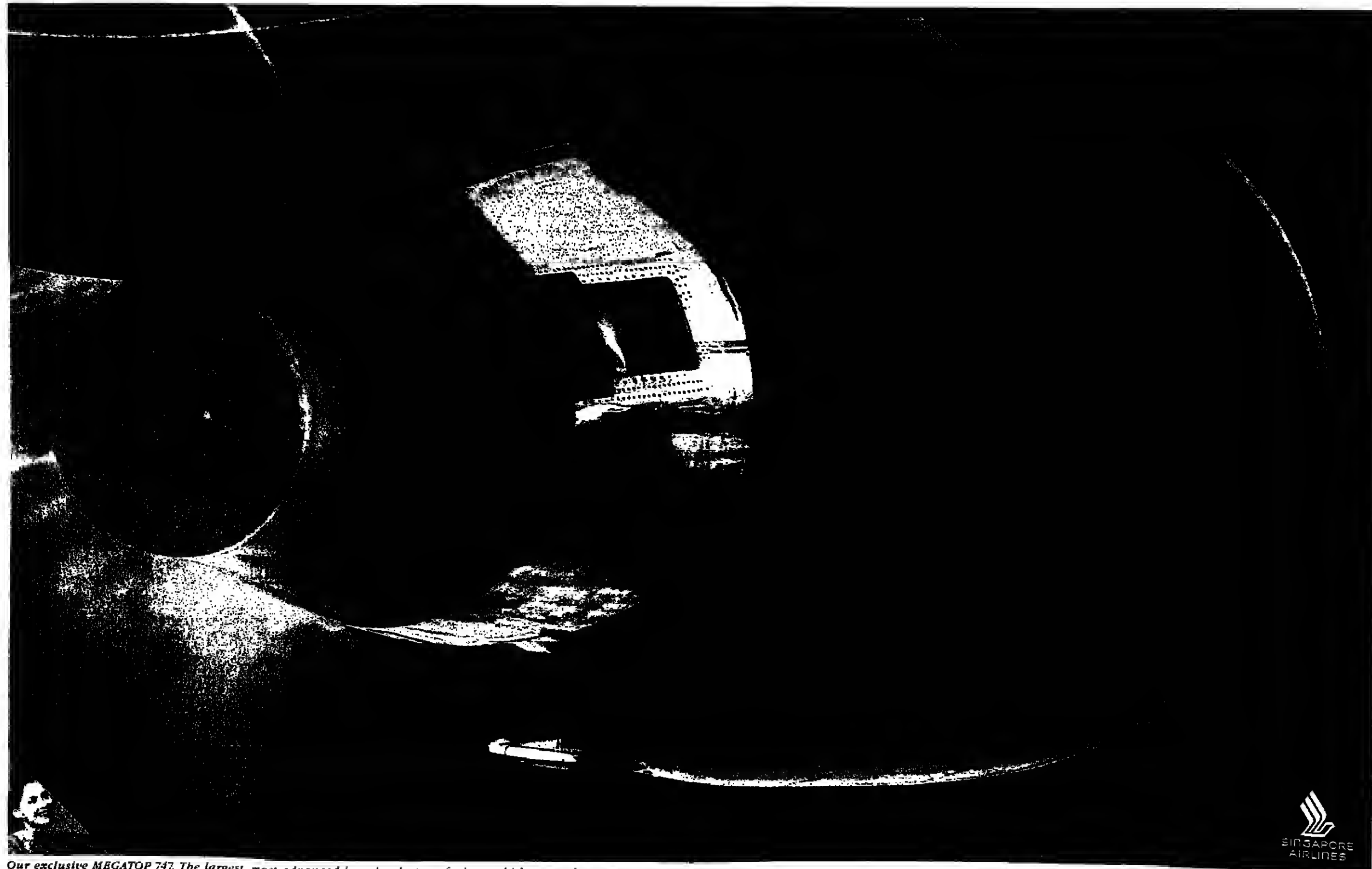
He refused to disclose the figures being discussed, but his criticism lent weight to recent speculation that the disarmament accord may be unraveling because of a dispute over prices.

But another government official here said he did not think the deal was in serious danger.

"Politically, this agreement is useful and serves Russia's economic interests," said Sergei Kislyak, director of the Foreign Ministry's security and disarmament department. "It is about conversion of weaponry, which costs a lot of money and which can be put to peaceful purposes."

Under the 1992 accord, Russia is supposed to provide 500 metric tons of uranium from dismantled Soviet-era nuclear weapons.

The Bush administration said in 1992 that the United States would pay Russia \$12 billion for the uranium, but added that that was only an estimate.



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INTERNATIONAL



AN EYE FOR PROTEST — Supporters of Pakistan's Muhajir National Movement demonstrating Wednesday outside the Pakistan Embassy in Brussels as an embassy worker hurriedly installed a security camera. The group says that Pakistan's government discriminates against the Muslim immigrants from India known as Muhajirs.

President Looks for Toehold in Budget Debate

By Todd S. Purdum
New York Times Service

WASHINGTON — After weeks of debate about how to confront the Republican-controlled Congress, President Bill Clinton has sketched his own plan for balancing the federal budget over the next decade.

But he would do it by cutting the growth of Medicare spending less than the Republicans want, making up the difference with a smaller income tax cut and reductions in corporate subsidies.

In a brief televised address from the White House on Tuesday night, Mr. Clinton committed himself to balancing the budget by 2005 — three years after the Republicans propose to — with spending cuts somewhat less severe and tax cuts far less deep and focused on the middle class.

The White House said that would allow him to preserve the programs Mr. Clinton wants to save.

"It won't be easy," Mr. Clinton said. "But elected leaders of both parties agree with me that we must do this, and we will."

Yet, in making his counter-proposals, Mr. Clinton harked back to the advice of almost all his top White House advisers, and infuriated congressional Democrats, who argued that his criticisms of the Republicans' proposed cuts as a sop to the rich were just beginning to take hold. Republicans derided the

president's ideas as too little, too late.

Mr. Clinton proposes to save \$124 billion in Medicare costs over the next seven years, about half what the Republicans want. He would do so — as he did in his failed health proposal last year — in the name of expanding coverage and overhauling insurance laws.

He would also save \$25 billion by abolishing some tax subsidies for corporations, and would cut scores of discretionary domestic programs.

Tuesday night, as he sought to regain ground lost to the Republicans in Congress, Mr. Clinton for the first time embraced the goal of balancing the budget by a fixed date, a question he has always finessed.

His aides said he was trying to shift the debate with Congress from whether the budget could be balanced to how it should be. As a result, they said, he hoped to avoid a string of vetoes of spending bills later this summer, while persuading the public that he would stick up for his priorities.

"It took decades to run up this deficit," the president said. "It's going to take a decade to wipe it out." He said the budget could be balanced in seven years, but the pain that would inflict "just isn't worth it."

He ended his remarks of just over five minutes by saying, "Let's get to work."

But the president issued that call only after weeks of intense

internal debate in the White House, and just four months after offering a budget that left the hard choices to the Republicans and then tried to blame them for the inevitable cuts in popular programs.

The president spoke after a final, frantic day of preparations, in which he rewrote his own words up until the last minute, while senior budget aides and political advisers scrambled to outline complex proposals, including a revived, though scaled-back, overhaul of the health care system, in the opaque language of press releases.

The White House chief of staff, Leon E. Panetta, described Mr. Clinton's olive branch as "an act of optimism, an act of cooperation and leadership," an alternative to the orthodoxies of either party.

Cali Drug Investigator Found Slain in His Car

The Associated Press

BOGOTA — The head of counterintelligence for the Colombian secret police, Mario Cuellar, was found murdered in his car Wednesday, the secret police said.

The motive for the murder was not immediately known, but Mr. Cuellar was known to have been involved in Cali drug cartel investigations.

Elusive 'John Doe 2' Looks Less Like Suspect, FBI Says

Reuters

WASHINGTON — Federal investigators pursuing the bombers of the federal building in Oklahoma City believe they have found the widely sought suspect known as "John Doe 2," but they doubt that he had any role in the attack, FBI officials said Wednesday.

After a two-month manhunt, the officials said the man is apparently a soldier from Fort Riley, Kansas, who happened to be at a rental agency at the same time that Timothy J. McVeigh, one of two men charged in the case, rented the truck that investigators say was used to carry the bomb.

The officials said they believed that the soldier, Todd Bunting, was the man identified by a rental agent as John Doe 2, but that they must still resolve a number of questions.

As leads about the elusive John Doe 2 dwindled, officials said, investigators began to question whether he had any connection to the bombing, which killed 167 people.

The officials said investigators now think the bombing was carried out by Mr. McVeigh and an army friend, Terry L. Nichols, who also has been charged in the case.

Iraqi Army Repels Rebels Near Baghdad

Compiled by Our Staff From Dispatches

NICOSIA — Iraqi soldiers used tanks and helicopters to repel an assault by tribesmen and soldiers Wednesday on a radio transmitter outside Baghdad, dissidents said.

The reported fighting did not appear to threaten President Saddam Hussein's grip on power. But it was further evidence of unrest among the large Dulaimi tribe, which dissidents say took part in riots in May in the western province of Al Anbar.

The attack was led by members of the tribe on a relay station in Abu Ghraib, the site of a military camp and prison, according to Hamid Bayati, a leader of the an Iraqi opposition group in London, who was

quoting Baghdad sources. Transmission from the station, 20 kilometers (12 miles) west of Baghdad, stopped for a short period and then resumed.

An armored unit, the 14 July battalion, attacked the Baghdad Radio transmitters, as well as a heliport used by Mr. Saddam.

The attack, led by General Turki Ismail Dulaimi, touched off a battle with tanks, armored vehicles and helicopters, according to witnesses who were contacted by telephone from Amman, Jordan. An air force general was killed in the fighting around the heliport where several homes of pilots were hit, they said.

Mr. Saddam's special forces

later encircled the rebels.

Iraq's Information Ministry called the reports "lies and wishful thinking."

But Mr. Bayati said the fighting involved soldiers and men from the Dulaimi, Israeli military sources, speaking on condition of anonymity, said they had reports of a "serious battle." There was no immediate report of casualties.

The rebels were demanding the release of all Abu Ghraib's prison inmates, including hundreds arrested in troubled Anbar Province since May 18, the witnesses said.

Almost 850 people were rounded up after clashes that followed the return to his family of the mutilated body of an

executed Dulaimi air force general, according to residents of Ramadi, the capital of Anbar.

General Mohammed Mazlum Dulaimi was arrested in November for his alleged role in an attempted coup against Mr. Saddam. He was executed in mid-May. (AP, AFP)

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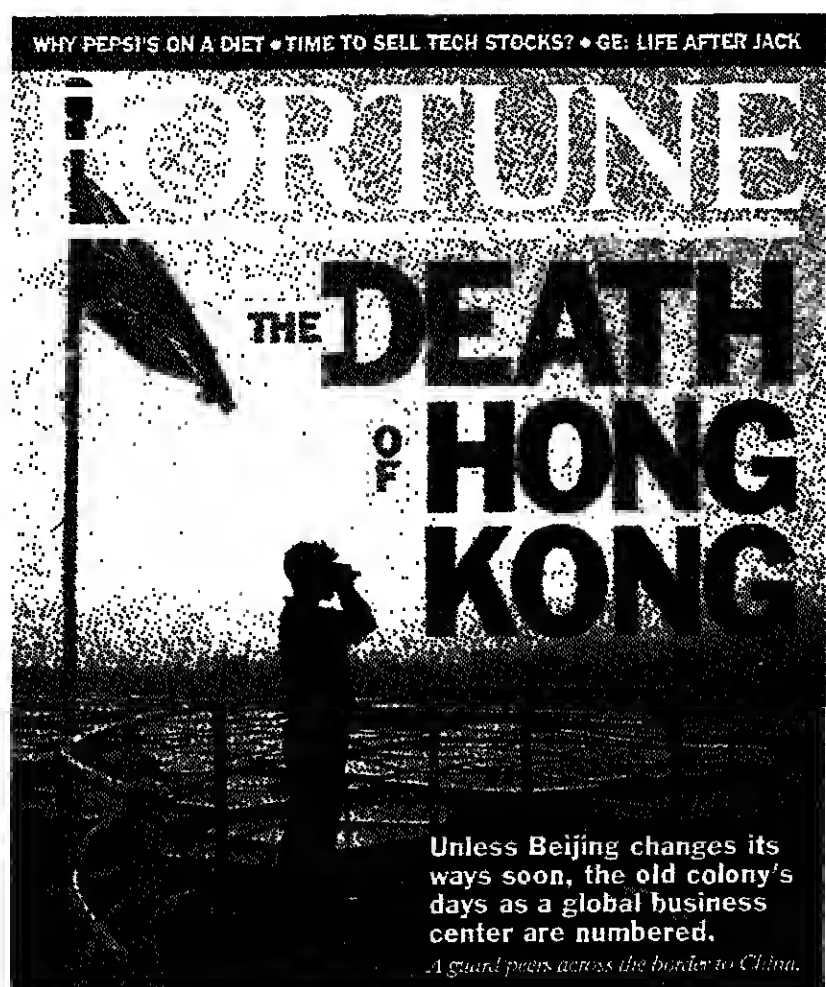
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GLOBAL/COVER STORY

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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

G-7: Crash-Avoidance Work

When the heads of the seven big industrial democracies met a year ago, they agreed that the safety mechanisms in the world's financial system, and the crash-avoidance procedures, needed attention. On Thursday they met again, in Halifax, Nova Scotia, after a year full of instructive disasters. The case of Mexico and its shrunken peso will hang heavily over their discussions.

When the peso fell, Mexico was able to avert even deeper damage only because the United States intervened with a very large loan. At Halifax, the Americans want agreement on future rescue arrangements that do not require them to come up quickly with large amounts of money. The Clinton administration ran into much more political flak over the Mexican loan than it had expected. It probably could not have brought the operation off successfully for any country less closely interwoven with the United States. Any useful formula for international rescue is going to have to operate through channels less dependent on the special circumstances of the Mexican episode.

The Halifax meeting will probably spend some time lamenting Bosnia. One of the lessons of that tragedy is that the Europeans, rich and well-armed though they have become, are not yet able to work out effective security policy in the

absence of American initiative and American resources. Halifax is not likely to produce much in the way of solutions for Bosnia itself. But it is the place for the statesmen to consider the possibility of a financial Bosnia—a crisis in which, for whatever reasons, the United States does not step in as decisively as it did last winter for Mexico. That is why the International Monetary Fund, cautious and bureaucratic as it inevitably is, will be nominated to be the fire department.

There have been only two periods of real stability in international money matters. The first was the 40 years or so before World War I, when Britain and its pound sterling dominated the system, and the second was the quarter-century after World War II, when the American dollar dominated. Not by mere coincidence, both were times of tremendous economic growth worldwide. The world is now trying to find its way back to that kind of productive stability in an era of three great competing centers of economic power—the United States, Western Europe and Japan. None is capable of imposing its own solutions automatically on the others. For two decades the rich countries have been trying to work out a reliable process of cooperative management. The seven men at Halifax will now try again.

—THE WASHINGTON POST

Filling Out the Framework

A new nuclear agreement with Communist North Korea? Didn't the United States have one just last fall? Yes and no. In October, Americans and North Koreans negotiated an "agreed framework" for the buying out of the publicly acknowledged part—unfortunately, there is also an unacknowledged, suspected part—of the North's nuclear weapons program. The framework left unresolved, among other items, the matter of South Korea's provision of proliferation-unfriendly reactors to replace North Korea's existing proliferation-friendly reactors. The new accord fills that gap, but it leaves "quite a list" of issues still to be settled, the U.S. State Department warns. These include the terms on which to ensure safe storage of the spent nuclear fuel rods—currently frozen—so that the North has threatened to use to produce weapons-grade plutonium.

The matter of South Korean replacement reactors is crucial. Ever eager to cut out the South, the North insisted it would not take South Korean reactors, claiming they were unsafe and second-class and would be used as instruments of subversion. Rightly, the South insisted it had to supply the reactors, since it will be paying most of the \$4 billion bill and

since the whole larger purpose of this negotiation is to reconcile the two Koreas. Fortunately, the United States hung tough and got North Korea to back off and, with some partially face-saving language, to agree to take reactors of South Korean design and manufacture. So it seems at this moment, anyway.

The whole effort to get North Korea to turn in its nuclear ambitions and its renegade status for safe power facilities and an accepted place in regional and global company is a long shot. It is not simply that the regime's record of aggression and duplicity has earned it loathing and distrust. A negotiation that the United States and South Korea deemed successful might eventually expose Pyongyang, as it surely knows, to the same sort of liberalizing, regime-busting currents that helped sweep out Soviet-bloc communism.

Yet it would have been irresponsible for the United States and its allies to do nothing as North Korea remained hostile and reclusive and labored away on a usable nuclear capability. The future of the negotiation remains uncertain. As this most recent phase shows, there can't be too much vigilance and steadiness in dealing with North Korea.

—THE WASHINGTON POST

A Fugitive in Cuba's Hands

With millions of dollars supposedly siphoned away from financial swindles and drug deals, Robert Vesco has eluded American law enforcement for 24 years, living in Costa Rica, the Bahamas, and most recently Cuba. Now his luck may have soured. The Cuban authorities have tossed Mr. Vesco in jail and seem ready to bargain with Washington for his return to the United States to stand trial on a variety of charges.

The Clinton administration should take advantage of the chance to gain custody of Mr. Vesco. If the chill between Havana and Washington is reduced in the process, all the better.

Mr. Vesco fled the United States in 1971 with more than \$200 million that the government says he looted from mutual funds. In return for shelter from the U.S. Justice Department, he provided a range of services to the foreign leaders who gave him sanctuary. He lived well in his various hideaways, maintaining lux-

urious homes and yachts. He is still wanted in the United States on a range of charges from securities fraud to drug trafficking. He is accused of bilking more than \$200 million from credulous investors in the 1970s, making an illegal contribution to Richard Nixon's presidential campaign in 1972, and allegedly trying to induce the Carter administration to let Libya buy American planes.

The Cuban authorities reportedly are willing to hand him over. The United States has an extradition treaty with Cuba dating from 1904 that is still in effect. The Clinton administration should move promptly to seek extradition. The State Department said Monday that it lacked the proper papers to pursue Mr. Vesco's extradition. On Tuesday, it would not comment on reports that diplomats were negotiating in Havana for his return. Washington needs to move quickly; otherwise Mr. Vesco may vanish again.

—THE NEW YORK TIMES

Other Comment

Civility for a Change

It wasn't on a philosophical or rhetorical level with the Lincoln-Douglas debates of 1858, by any means. For those with shorter memories and less elevated expectations it wasn't even the Lloyd Bentsen-Dan Quayle debate of 1988. In fact, it wasn't a debate or anything close to it. But the calm and respectful discussion of a few of the day's major public issues that President Bill Clinton and House Speaker Newt Gingrich held in the New Hampshire town of Claremont was a rare and pleasant reminder that civil discourse between strong political enemies is still possible in America.

No one expected the hour's worth of

amity shown by the president and Mr. Gingrich to last, let alone to serve as the model over the 17 months of campaigning until the 1996 election. Mr. Clinton and Mr. Gingrich are both dedicated to winning. Mr. Clinton certainly intends to seek re-election. Mr. Gingrich surely would be available as the Republican candidate if he thought he could get the nomination. Absent that, he will continue using the formidable powers of his office to advance his party's fortunes. So Sunday's show of reasonableness, tact and courtesy was something of an anomaly. That was one of the things that distinguished it. The other was how pleased, even grateful, people were for the tone of what they heard.

—Los Angeles Times

America and Japan
Step to the Brink

By Jim Hoagland

WASHINGTON — Mickey Kantor will wind up as the Marie Antoinette of the Clinton administration if his trade squeeze on Japan's luxury cars fails. "Let them drive Mercedes," is not a phrase the Los Angeles lawyer wants to be remembered by. But he risks that fate if Japan stands firm against his threat to impose trade sanctions June 28.

Slapping 100 percent tariffs on the Lexus and 12 other \$30,000-plus Japanese import models will shift much of the U.S. luxury car market to European suppliers like Mercedes. Shrewd as domestic politics, Mr. Kantor's choice of the battlefield with Japan is economically insignificant for the American work force and for the overall U.S. trade imbalance.

Shutting Lexus, Infiniti et al out of the U.S. market disturbs relatively few people. This narrow targeting fits Mr. Clinton's political needs. He must get tough on Japan, placate Detroit and not interfere seriously with the American consumer's God-given right to buy good goods for low prices. The right to modern consumerism is a central enduring element of the American ethos; politicians tamper with it at their own peril.

But Kantor's Choice contains strategic weakness. By condemning only luxury cars to trade purgatory, Mr. Kantor has not aroused the impassioned national

constituency that he needs to prosecute the serious, strategic trade struggle with Japan he may have unintentionally triggered.

Mr. Kantor proposed a limited, low-pain "war," a wedge into Japan's overregulated automobile and spare parts networks. But the Japanese have surprised U.S. trade negotiators by treating the luxury-car ban as an American Pearl Harbor instead of an opportunity to find compromise.

When President Bill Clinton and his advisers this spring charted their campaign to get Japan to open its markets more rapidly, they quickly discarded two other options. I am told.

One called for restrictions on virtually all Japanese auto imports. The other option was broader and targeted Japan's strong new gains in electronics and other high-tech fields: U.S. experts increasingly feel the luxury car dispute marks a turning point for the two countries. But it does not look like the turning point toward a more open and compliant Japan. And these experts are not confident they understand what the long-term consequences of the conflict will be.

No one is saying that in public. The Japanese (like the Americans) want to extract last-minute concessions by being tough and intransigent. Trying to predict how this will come out is at this point a mug's game. Wait for the results

HUMBLY and WITHOUT EXCUSE, OVERCOME with REMORSE and in FULL AWARENESS of my MANY FAILINGS, MY INEXPERIENCE, MY LACK of SKILL, MY CLUMSY and INAPPROPRIATE MANNER, MY UNWORTHINESS and SHAMEFUL RUDENESS, with FULL REFLECTION, SELF-EXAMINATION, ASSUMING ALL BLAME and OPPROBRIUM...



The cartoon is by Danziger. Los Angeles Times Syndicate.

of a key negotiators' meeting Wednesday before trying.

But it is clear that Washington underestimated both the mood of political insecurity in Tokyo, where a new political system is struggling to be born, and Japan's fierce pride in its role as supplier of "quality," or luxury if you prefer, to American consumers.

When Japan emerged as a global economic superpower, American savants such as Ezra Vogel said that "quality control" was the secret Japanese trade weapon. American consumers disgusted with shoddy Detroit products came to the same conclusion and began buying from Japan.

Now American "revisionists" like Chalmers Johnson have replaced the Vogel generation, arguing that it is Japan's essential perniciousness and unfairness on trade that accounts for the giant U.S. trade deficit.

There is some truth to that. There is also a lot of sting for the Japanese in that shift in judgment by Americans. The Japanese public seems to be reacting to Mr. Kantor's limited war with broad and deep indignation, giving their politicians incentives to go to the brink. Stopping Tokyo's politicians, and the U.S. team, from stumbling over that brink must become an urgent priority for the president in the days to come.

—The Washington Post

Economic Growth Will Fail Us Unless Our Societies Grow, Too

By Jean-Claude Paye

The writer is secretary-general of the Organization for Economic Cooperation and Development.

PARIS — When the Group of Seven leaders meet in Halifax, Nova Scotia, they should keep in mind a lurking problem facing postindustrial countries — the risk that economic growth will be damaged by social decay. Economic well-being is inextricably linked to the state of society. Economies cannot grow if societies are stunted. In this post-Cold War, globalized, computerized world, the human factor has assumed a new importance as an economic determinant.

We have witnessed explosive development in the way information is created, treated and used. The relationship between economic growth and social cohesion has been fundamentally changed.

Intelligence — information and the ability to exploit it — has determined the course of war, politics and economic competition. But today's breakthroughs have unleashed technical progress that has accelerated and expanded information so that it touches every facet of economic life.

The information revolution has an economic result and a social result, and they

are vitally linked. The information age brings prospects for expanded economic development for all parts of the world. It brings vast opportunity, at least to those who can face up to ever-fiercer competition. But that economic advantage can be pressed only if a society supports it.

Lasting economic growth is built on productivity, which depends on innovation, the ability to adjust, to restructure and to streamline — all of which involve people. People need to acquire new skills, find new jobs, be flexible and mobile. Society needs to be cohesive and adaptive.

The human mind is our greatest hope for more security and a better standard of living. It is a powerful engine for progress. It can be an equally powerful brake.

The struggle of constantly sharpening the leading edge can be painful. The countries of the Organization for Economic

Cooperation and Development face intensifying competition from around the world. This difficult and unequal adjustment has sown doubt and eroded confidence in our postindustrial societies. There is some skepticism as to whether economies will get richer and the riches will be shared fairly by all. Individual disenchantment could lead to political pressure to slow the process of change, to erect dikes against the rising tide of competition and to keep out foreign goods, services and people. It happened in the '30s; it could happen today.

So leaders worried about their economies need to focus on society's fraying fabric. If the warp of societal well-being is economic growth, the weft is people who embrace and anticipate momentous change.

People need to be equipped with skills for tomorrow's jobs and to be helped through difficult straits. Entrepreneurial spirit must be stimulated by the freedom that allows initiative to be rewarded. Safety nets — like unemployment and welfare benefits — must be redesigned to offer insurance against mishaps but also to spur

adjustment to new environments. And, crucially, we must better understand the complex implications of societal change: aging populations, changing family patterns, evolving value systems, new forms for the structures that bind societies such as education systems or trade unions.

It will take vigor, inventiveness and commitment to suppress resentment and disillusionment. Failure to focus on the problems of society would endanger the very globalization that offers our future common prosperity, and would threaten the political stability of our countries.

OECD ministers have addressed this lock-step of economic and social progress. More than ever, we need to reshape our approach to economic analysis to incorporate the critical impact of societal evolution. International financial and economic organizations, however they evolve, must reflect that rethinking. G-7 leaders will serve many, far beyond their own countries, in focusing on the vital role societies play in bolstering economies.

—International Herald Tribune

For a Common, Not Single, Currency

By William Pfaff

PARIS — There is much muddled good intention in the European debate today, particularly where the plan for a common currency is concerned. A green paper recently issued by the European Commission would have all European financial transactions conducted in this single European currency (called, for the moment, the Ecu) by the year 2002.

A single currency is a splendid idea, if workable. That is not the case today, and it may not be by the end of the century. The British government does not want a single currency. The Germans are skeptical about it, and demanded criteria for its implementation meant to block any challenge to the power of the Bundesbank.

Few members of the European Union can today meet those criteria. Yet governments persist in the struggle to do so, seeing the single currency as a way to weaken German domination of European interest rates, with deflationary effect upon other economies. This is the unacknowledged purpose of the currency.

A research report from the European Parliament's Employment Committee says that if European governments pursue the convergence policies they are supposed to follow to make themselves eligible to join the single currency, 10 million more West Europeans risk being thrown out of work within the next four years.

That is what is implied by continued high interest rates and by the cuts in public spending necessary to meet the convergence criteria. The overall European Union unemployment rate now is around 11 percent. National policies that produce a continuing rise in unemployment are scarcely thinkable. Yet this would seem to be what the European governments have committed themselves to.

The advantages of a single European currency are obvious but utopian. It is impossible to have a single currency without a close integration of fiscal, budget and even social policies in all of the European states, where individual national economies are and will remain very different, in different stages of the economic cycle.

Today, only an inner core of countries, including Germany, France, the three Benelux countries and Austria seem capable of achieving the Maastricht goals within the next few years, and even France is questionable.

I have, myself, never under-

stood why monetary integration for Europe should not start (and perhaps remain) with a common monetary unit, rather than a single and exclusive one — an extra currency. Why should there not be an Ecu (or "Franken," if the Germans insist), based on a weighted (toward the stronger economies) average of European currencies and interest rates, in which to conduct Europe's international finance and business?

International contracts and international settlements could be denominated in this currency, rather than in national currencies or the dollar. This currency could be used by individuals. It would be a common currency, but not an exclusive one. It would serve as the money in which Europeans did their business with the rest of the world, and in which private and public transborder transactions would take place.

The chief objection I have heard to this is that it falls short of a desirable total integration. But is the total integration of national economies that today range from Germany's to Greece's, and in the future may include those of Romania, Bulgaria, Malta and others, really feasible, or desirable? The

argument also is made that individual American states are rich or poor, depressed or booming, yet a single currency serves. But the individual American states are not sovereign, and only Washington is answerable to the electorate in economic matters.

It seems to me that a single nonexclusive European currency is the realistic option. The European Commission green paper foresees a staged transition toward a single currency, during which its use would be made "compulsory," "encouraged," "optional" or "excluded," depending on the banking or financial sector.

Today it seems politically incorrect (as we Americans now say) for supporters of European integration to concede that at least in the mid-term future a single currency may neither be realizable nor perhaps even a desirable element in that integration.

The single currency has been proclaimed essential to Europe's future, and to question it is held weakness or betrayal of the European ideal. Yet its real purpose is to keep Germany from setting Europe's interest rates according to German national needs. If that were admitted, a better way might be found to accomplish the goal.

—International Herald Tribune
Los Angeles Times Syndicate

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Dark and Stuff

LONDON — In the House of Commons last night (June 14), amid laughter, derisive cheering and cries of "Are you going to the country?" the Government sustained a defeat by a majority of 20 in a House of 106 members. The issue was Mr. Cremer's proposal to reduce the vote for the Houses of Parliament buildings on the ground that while the officials of both Houses were provided with spacious residences at Westminster, absorbing some 315 apartments, Ministers had often to occupy rooms insufficiently lighted and ventilated in the basement.

1920: Costly Caruso

HAVANA — The audience in the National Theatre was thrown into a panic last night (June 13) during the farewell appearance of Enrico Caruso. Six persons were seriously hurt and hundreds received minor injuries in a fight to leave the the-

atre when a bomb exploded in the wings of the stage, wrecking the acoustics box and throwing the scenery to the stage. Caruso, who was in his dressing-room at the time, was hurried from the theatre. The management had received many bomb threats because the lowest price of a seat for Caruso's performance was \$35.

1945: Parisian Citizen

PARIS — Five years to the day after the entry of Nazi columns into Paris, this city acclaimed General of the Army Dwight D. Eisenhower, Supreme Commander of the forces which drove the Germans out of France, yesterday (June 14) and saw him receive the Cross of Liberation, France's highest award, from General Charles de Gaulle in front of the Arc de Triomphe. In a subsequent ceremony at the Hotel de Ville, General Eisenhower was made an honorary citizen of Paris and given the freedom of the city.



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OPINION/LETTERS

If Work Is Going to End, Better Get Busy About It

By William Raspberry

WASHINGTON — Jeremy Rifkin, in his new book, "The End of Work," does a fine job of telling us what we already know (at least dimly) but have been reluctant to face up to: that it is no longer necessary for everybody to work to produce the things we need, and that that simple fact changes everything. It no longer makes sense to look to open-ended economic growth as the main solution to social ills, because it no longer makes sense to think of full employment as an achievable (or even desirable) goal. But if full employment is not a sensible pursuit — and if leisure, as a result, becomes fully respectable — will we have to rely on workaholics to produce the goods and services we will still need for our survival? And if it is no longer necessary for most of us to work, by what means will we distribute society's goods? You won't agree with all of Mr. Rifkin's answers, but you're likely to agree that he poses questions that we have spent too little time thinking about.

Technology has given us tremendous productivity gains," he said in a recent interview, "but the profits from those gains have been very narrowly distributed." So narrowly distributed, in fact, as to threaten the entire structure. For while robotics and other such advances make it possible for companies to produce more goods while hiring fewer workers, the unavoidable question is: Who buys those goods, and with what?

What we need, says Mr. Rifkin, is a full-fledged debate on how to share the productivity gains. His own idea is fairly straightforward: reducing the workweek as productivity improves.

For people who are still needed in the market economy, the productivity payoff would be a reduced workweek — say a reduction, over time, to 30 hours. That is coming. It already has started in Europe, and it has the potential of being a very good thing for working parents.

Imagine a six/six arrangement — parents working the six hours their kids are in school, and then being home with them afterwards. It would also provide more time for the things people say they want to do — everything from volunteer work to recreation.

But wouldn't spreading the same productivity among more workers increase employer costs and reduce employee income? Not necessarily, says Mr. Rifkin, president of the Washington-based Foundation on Economic Trends.

Hewlett-Packard in Grenoble, France, and BMW in Germany have

said they are going from a 37-hour week to 31 hours, and still pay workers for 37. But there's a catch. The workers will have to agree to accept shift work. That means the employers can keep their expensive technology operating on a 24-hour, 7-day basis. That increases productivity and at the same time spreads the benefits.

Such an arrangement, he believes, could also provide a big boost to the "third sector" — the not-for-profit companion of government and industry. "I think we need this third sector more than is generally realized," Mr. Rifkin says. "Without it, the other two sectors can't function because there won't be enough trust and relationships between people to make for a civil society."

It is easy enough to imagine the good that would flow from revitalized third sector community-centered activities: "from social services to health care, education and research, the arts, religion and advocacy... organizations [to] assist the elderly and handicapped, the mentally ill, disadvantaged youth, the homeless and indigent" — all the things we say we haven't the money to handle now.

What is hard to figure out is who will pay for it. Mr. Rifkin's answers are the least convincing of his fascinating discussion. Essentially, the bill for his utopia would be paid for by a combination of savings from existing government programs, "shadow wages" and a "social wage." The first reminds me of the "peace dividend" anti-war activists used to budget with such enthusiasm. Savings from voluntarized social services are likely to prove elusive.

Shadow wages would amount to tax deductions for people who donate time to volunteer activities — a worthwhile idea but prospectively a costly one; the deductions would translate into diminished revenues for other government purposes.

Mr. Rifkin seems most hopeful about his "social wage" — essentially the old idea of substituting paid community service for welfare, which he would improve by making the service jobs competitive and allowing for pay increases for outstanding performers. He thinks such a scheme would build community by "forging new bonds of trust and a sense of shared commitment to the welfare of others."

Like the Depression-era CCC camps or WPA jobs perhaps? Still Mr. Rifkin's basic question has to be addressed: If it is no longer necessary for all of us to work to produce the things we need, what do we do with the rest of us?

Washington Post Writers Group.



LETTERS TO THE EDITOR

A Troublesome Visit

Regarding "U.S. Visit Fits the Realities of Taiwan" (Opinion, June 10) by Michael Y.M. Kau:

Mr. Kau writes that Beijing would not let the U.S. visit of President Lee Teng-bui damage Chinese-American relations because "Beijing knows very well that the viability of its 'reform and opening' policy requires a peaceful international environment and U.S. cooperation."

With the impending death of Deng Xiaoping, the People's Republic of China is already in the throes of a power struggle, some parties to which care little for the "reform and opening policy." The incentive that official party organs have leveled against the United States recently goes far beyond anything seen in some time.

Whatever the outcome of this clash between the two countries, Mr. Lee's visit is just the latest in a series of missteps, including the sale of F-16s to Taiwan, in which the United States has squandered its political capital with Beijing.

Mr. Kau asks what Beijing could do to retaliate against the United States for issuing Mr. Lee a visa.

Beijing could withdraw all support for the diplomatic solution to the North Korean nuclear crisis, sell nuclear technology in violation of the Nuclear Nonproliferation Treaty, use its UN Security Council veto against U.S. interests, exclude American companies from lucrative infrastructure projects, and relax immigration controls, thereby increasing the flood of illegal Chinese immigrants to U.S. shores.

While Taiwan has certainly become an economic contender, it can hardly be considered central to U.S. security and economic interests. China, on the other hand, is destined to be the next superpower.

How China behaves in the international arena will be determined by who takes up the reins after Mr. Deng's death. The United States is the only outside power that has much hope of bringing influence to bear to ensure a smooth transition of power in China. By forcing President Bill Clinton's hand on Mr.

Lee's visit, the U.S. Congress has wasted that influence needlessly.

JONATHAN BRODY,

Taipei.

Healing Discrimination

Regarding "To Remedy Discrimination" (Opinion, June 5)

How can anybody believe that society's discrimination can be healed by implementing government-sponsored discrimination? After 30 years of the affirmative action placebo, people are finally seeing that the only true remedy is to end discrimination of all types.

ERIK SCHUMICK,

Amsterdam.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Planning the Invasion of Japan

By Denis Warner

MELBOURNE — In mid-June 1945, while the battle for Okinawa was grinding to an end, leaving more than a quarter of a million dead on both sides, the planners in Washington and Tokyo were preparing for the next round: the invasion of Japan itself.

Operation Olympic — the planned invasion of Kyushu, the southernmost of the Japanese home islands — had been tentatively set for Nov. 1. But as late as May 25, Admiral

1945 PACIFIC 1995

Chester Nimitz, the U.S. naval commander in the Pacific, had second thoughts. In a message to Admiral Ernest King, the chief of naval staff in Washington, he warned that when the Japanese occupied well-prepared defenses and had adequate supplies, they were a force against which the best American troops — even with air, artillery and naval gunfire support — could advance only slowly.

It would be unrealistic, Admiral Nimitz said, to expect that such obvious objectives as southern Kyushu and the Tokyo plain would not be well defended as Okinawa.

Admiral Nimitz believed that it would be better not to try to invade in 1945 but instead to continue the isolation of Japan and destroy Japanese forces by air and naval attack. However, General Douglas MacArthur dismissed isolation and bombardment as likely to prolong the war indefinitely.

Presented with these conflicting opinions, President Harry Truman had doubts. On June 14, he summoned the Joint Chiefs of Staff to the White House. They were advised to come four days later, armed with information on the number of American soldiers and ships needed to defeat Japan, an estimate of the time required, and of the casualties that would result from an invasion.

The U.S. joint war plans committee thought that 14 divisions — 11 army and 3 marines — would be needed to overrun southern Kyushu. Casualties might run to 132,000, with 25,000 killed.

At the White House meeting, General George Marshall, the chief of army staff, read the digest of the memorandum approving Operation Olympic. When it came to casualties, he said, "it is a grim fact that there is no easy, bloodless way to victory in war, and it is the thankless task of the leaders to maintain their firm outward front... Any irresolution in the leaders may result in costly weakening and indecision in the subordinates."

Only Henry Stimson, the secretary of war, who had been involved from the beginning with plans to produce the atomic bomb and bacteriological weapons, expressed some qualified doubt when he said he hoped "for some fruitful accomplishment through other means."

As more and better intelligence flowed in, however, it became apparent that even the highest U.S. casualty estimates were likely to prove much too low.

Some reports suggested that the figures tossed around at the White House on June 18 might be surpassed in a single day.

In the final year of the war, Japanese intelligence correctly anticipated American offensive plans. It predicted the invasions of Saipan, Guam and Tinian and assumed correctly that Iwo Jima would be next and that Okinawa and then southern Kyushu would follow.

Japanese intelligence even named the beaches where the U.S. forces would come ashore. Southern Kyushu was given the highest priority by military planners. New divisions were brought in from Manchuria, Hokkaido and Honshu. Instead of 3 army divisions, the Americans would have to face 14, about 12,000 kamikaze planes and a fleet of naval suicide craft.

The Joint Chiefs asked Admiral Nimitz and General MacArthur for their assessments of the new intelligence. The war archives indicate that Admiral Nimitz had not replied before the atomic bombs on Hiroshima and Nagasaki brought the war to an end. General

MacArthur, often contemptuous of intelligence, replied that the Japanese air potential was greatly exaggerated: "We have recently seen the 3d Fleet approach the southern and central coastline of Japan close enough for gunfire bombardment, and yet no reaction from the air has taken place. Our air forces are daily flying throughout Japan and provoke no reaction... In my opinion, there should not be the slightest thought of changing the Olympic operation."

What he did not know was that the disappearance of the kamikaze planes, as the U.S. 3d Fleet ranged down the coast of Japan and American B-29s firebombed the cities, was a matter of policy. The kamikazes were being saved for the critical battle of southern Kyushu.

The U.S. 6th Army planned to use eight divisions in the initial assault, one to secure the offshore islands and seven in the attack on Kyushu. American forces would have been opposed by six static Japanese divisions, two independent mixed brigades, the equivalent of two tank brigades, and miscellaneous fortress and naval troops deployed in the vicinity of the landing beaches. In addition, three mobile Japanese reserve divisions were positioned to intervene in the fighting for the initial beachheads.

In the Okinawa campaign, the United States had the conventional 3-to-1 superiority in numbers. In the invasion of Kyushu, American troops would have been outnumbered 8 to 5. No doubt the Americans would have prevailed. But they would have had to call in extra divisions earmarked for the invasion of the Tokyo plain. The cost in lives would have been enormous. And the United States would most probably have resorted to use of poison gas to hasten an end to resistance.

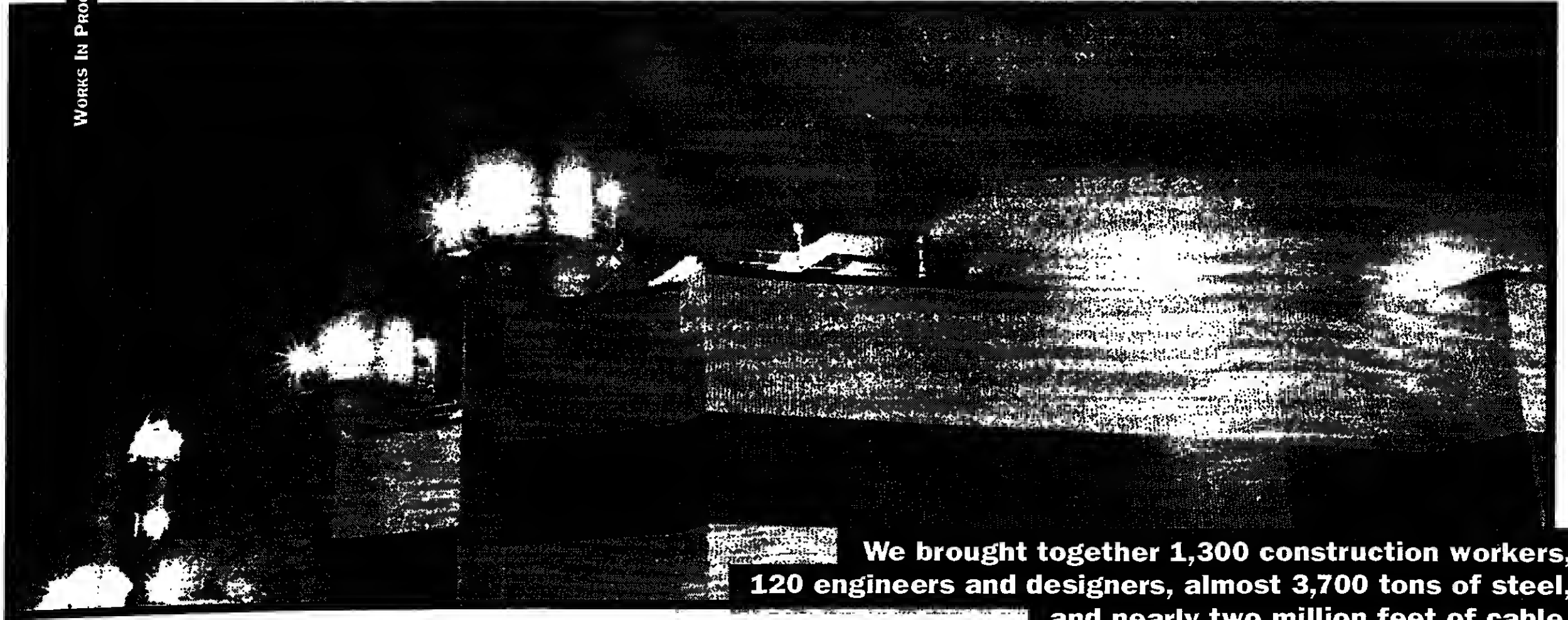
The Allies had avoided using gas during the war, but it was seriously considered during planning for Operation Olympic. Brigadier General William Borden, director of the New Development Division of the U.S. War Department, discussed use of gas in the numerous caves that American forces expected to encounter in the invasion of Kyushu. He said it would be effective when fired directly into the mouths of the caves. If gas was to be used, the U.S. Navy had planned that it would make up about 20 percent of the air bombardment.

The Pacific war had its tally of horrors. The atomic bomb was one of them. But its use almost certainly avoided another.

The writer, who covered the war in the Pacific for Australian and British newspapers, contributed this comment to the International Herald Tribune.



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INTERNATIONAL

Israeli Troops Kill 3 Palestinians

PLO Guards Were Aiding Fugitive Enter Gaza

Compiled by Our Staff From Dispatches

GAZA — Israeli troops shot and killed two members of Yasser Arafat's elite Force 17 guard unit Wednesday along with a Palestinian fugitive they were helping sneak across the Egyptian border into self-ruled Gaza, Palestinian security sources said.

The fugitive, wanted by Israel for attacking soldiers, was trying to sneak from Egypt into Gaza when he was spotted by Israeli troops, the army said.

Soldiers opened fire and killed the man, identified as Darwish Abu Khatia. He was a leader in Gaza of the Fatah Hawks, a group of vigilante gunmen loyal to Mr. Arafat, the chairman of the Palestine Liberation Organization.

Palestinian sources said two Force 17 members, Abdel Nasser Salah and Hassan Abu Thuraia, were waiting for Mr. Abu Khatia on the Gaza side of the Rafah crossing when the shots erupted.

The sources said the two Force 17 men were also shot and killed by Israeli troops.

The Palestinian Authority general secretary, Tayeh Abdel-Rahim, said the two Force 17 members worked at the Rafah crossing point and were not personal bodyguards to Mr. Arafat.

Mr. Arafat's press adviser put distance between the self-ruled Palestinian Authority and the infiltration attempt at the Rafah border area, which is controlled by Israel under the terms of its 1993 peace deal with the PLO.

"This is an irresponsible act, and the Palestinian Authority is not linked in any way to the incident in Rafah," said the press adviser, Nabil Abu Rdainah.

He said the PLO hoped the shootings would not affect ongoing peace talks with Israel on expanding self-rule.

"Initial reports suggest that the persons involved were not intending to carry out any violent attack against anybody," said Marwan Kanafani, a spokesman for Mr. Arafat.

Mr. Abdel-Rahim said Mr. Arafat had ordered an investigation of the incident.

The army said soldiers spotted armed men in the vicinity of Rafah at the time of the first shooting and opened fire after the men ignored calls to halt. Two men were killed by the soldiers in the second incident, the army said.

The Arafat spokesman, Mr. Abu Rdainah, said the two Force 17 men had acted on their own. "We have no connection to the incident," he said. (Reuters, AP)

HALIFAX: Squabbles Threaten to Sidetrack G-7

Continued from Page 1

official remarked recently. An aide to President Bill Clinton acknowledged Wednesday that the G-7 was indeed akin to a divided boardroom.

"There are disputes," he said, "and it's too bad that they are there."

The official, who spoke on condition of anonymity, said he had been struck "by the sense that none of us have really learned how to work and deal in a post-Cold War world."

In the past, these kinds of differences were more muted and subordinated. Now they jump out.

Ten years ago, the U.S. official added, "it would not have been in Germany's interest to take side shots at us over Mexico. And we'd all be better off if we concentrated on what we can do together. But we don't."

The official defended the G-7 summit process as "valuable because it forces the leaders to contend with issues and with each other." He and other G-7 officials said they hoped that differences over currency markets or trade would not be visible by Saturday, when the summiteers leave this cheerful little Canadian harbor town.

Yet the U.S.-Japan conflict could worsen just days after the Halifax meeting ends. No progress was made on the issue last Monday during technical-level

talks held at the World Trade Organization in Geneva.

On Wednesday, in a statement released in Washington, Mickey Kantor, the U.S. trade representative, said that his deputy would meet a Japanese trade official in Geneva on June 22 and 23 for further talks "without preconditions or limitations." (Page 13)

Mr. Kantor was jubilant as he claimed that Japan was no longer insisting that Washington drop its threat of sanctions or its desire for numerical targets before resuming negotiations on autos and auto parts.

He termed Japan's willingness to hold the new talks "helpful," but also warned that trade sanctions would be imposed June 28 if Tokyo did not make concessions.

On Thursday, before the official start of the summit meeting, Mr. Clinton and Prime Minister Tomichi Murayama of Japan will meet, and they almost certainly will discuss the trade dispute. But aides to both leaders insist that Halifax is not the right venue for bilateral talks on the subject.

As a result, two issues that divide the G-7 — the strength of the Japanese yen against the dollar and the state of currency markets — are not expected to get more than a passing mention here.

Also making the G-7 leaders

uneasy is that global economic prospects are decidedly less auspicious than when they last met a year ago.

In the United States, it is not yet clear whether there will be a brief recession or merely a period of negligible growth — perhaps less than 1 percent — for four to six months.

Japan is facing what looks like an increasingly serious banking crisis, and its equity market is reflecting the nervousness.

The German economy, and that of France to some extent, is evidently more sluggish than should be the case at this stage in the recovery cycle, due in part to the strength of the Deutsche mark, which is affecting export competitiveness.

The arrival Friday of President Boris N. Yeltsin of Russia may thus prove something of a distraction to the G-7 leaders as they turn their attention from economic to political matters, informally renaming themselves the "P-8" for the occasion (the P stands for political).

Officials here say that when the meeting is over there will be, as a leaked copy of the draft communiqué has made clear, a plan to urge the International Monetary Fund to strengthen its financial resources and surveillance of Third World countries to prevent another Mexico-style financial crisis.



A woman sheltering behind a car Wednesday in Sarajevo as snipers opened fire.

Congress Rebukes Clinton on Peacekeepers

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — Facing a stinging rebuke from Congress for a failure to consult with lawmakers, the Clinton administration is stalling Security Council action on a key resolution that would authorize an expansion of peacekeeping forces in Bosnia.

A sharp letter on Tuesday to Secretary of State Warren M. Christopher from the chairman of three influential House panels, raising questions about the cost of the expanded forces, suggests that the administration will have a hard time voting for the resolution anytime soon.

The resolution is needed to spell out the mandate of new "rapid response" forces the Europeans are sending to Bosnia.

Apparently aware of the exploding resentment, American diplomats unexpectedly told the council this week that the administration needed time for consultations with Congress.

The three House Republicans — Benjamin A. Gilman, of the International Relations Committee, Robert L. Livingston, of Appropriations, and

Harold Rogers, of the Appropriations subcommittee on commerce, justice, state, and the judiciary — told Mr. Christopher that they were "dumbfounded" to learn that the administration was preparing to commit the United States to support of an operation that could cost \$520 million a year.

Under the draft resolution now before the council, which the British and French had hoped to see enacted on Tuesday or Wednesday, the rapid response force being assembled by Britain, France and the Netherlands would be paid for by the United Nations through assessments. Washington is assessed 31 percent of the cost of operations.

With European troops poised for redeployment, and an uncertain and dangerous situation on the ground in Bosnia, Britain and France emphasize that speedy action on the resolution is necessary.

But the pressure on the administration from Congress appeared likely to delay Security Council action.

"We are deeply disappointed by what appears to be an unwillingness on the part of the ad-

ministration to fully inform Congress about the spiraling costs of its Bosnia policy," the congressmen's letter to Mr. Christopher said. "We are also deeply concerned by what this episode suggests about how the administration intends to handle changes to UN peacekeeping in the future."

The letter urges that the administration withhold support of the Bosnia resolution until Congress has been fully informed and given written answers to detailed questions about exactly what the expanded force will cost, why the Europeans should be reimbursed when the United States is not paid for its support services and what military obligations the resolution may impose.

The congressmen said that they had not been informed of the extent of the commitment until Monday, and that earlier briefings had "neglected" to mention these details.

Administration officials say they do not know how long consultations with Congress will take or in what form they will be held. But the officials insist that they have had no basic change of heart.

UN Senses a Bluff In Troop Buildup By Bosnian Army

By Chuck Sudetic
New York Times Service

VISOKO, Bosnia-Herzegovina — The Bosnian government's largest troop buildup in the three-year war, which has been taking shape over the last week on the rolling hills near here, may not prestage a massive offensive to break the chokehold around Sarajevo by rebel Serbs and may amount to nothing more than a huge bluff, United Nations officials said Wednesday.

"It is much too early to say at this stage what might take place," said Lieutenant Colonel Danny Redburn, the commander of the Canadian Army battalion stationed here. "We must look at the big picture. And it is impossible to confirm any figures."

UN officials have estimated that the Bosnian Army has mustered 15,000 to 20,000 soldiers, including its most elite attack units, along the front lines stretching from positions starting just east of Vares, a steel town north of Visoko, and extending southward along the flanks of Cerniska Mountain to trench lines east and south of the town of Breza.

A concentration of government forces, including contingents of the 17th Krajiska Brigade, a vengeance-driven unit made up of men first recruited three years ago from the columns of refugees ethnically cleansed by rebel Serbs from northern Bosnia, is also taking

shape just east of Buci, a village that looks over Bosnian Serbian positions on a strategic hill south of Visoko.

Colonel Redburn said the United Nations had gathered only sketchy details on the buildup because the Bosnian Army began denying its peacekeepers access to front-line areas near Visoko and Breza about a month ago and had forced them to vacate two observation posts on Cerniska Mountain.

"They'd been asking us for a month to get out of there," he said, referring to the second post, which was abandoned earlier this week. "We resisted until we were targeted with mine rounds of mortar fire."

Five other UN observation posts on the Bosnian Serbian side of the front line near Visoko were emptied when the rebels seized the peacekeepers there as hostages after NATO warplanes blasted a Serbian ammunition dump last month, he added.

Eleven Canadian soldiers are among the 26 UN peacekeepers still unaccounted for, Colonel Redburn said.

He said the Canadians had been given freedom of movement in Iljias, a town just opposite the front lines near Visoko, but had not been released despite a pledge earlier this week to do so by leaders of the Bosnian Serbs.

"I would consider them human shields," Colonel Redburn said. "They are the only ones over there who can witness any action on the Serb side."

He said that his troops had spotted Bosnian soldiers being transported through the area in buses but that the bulk of the deployment had taken place in canvas-topped trucks with the tailgate flaps tied down.

"Where those trucks stop, we don't know," he said. "The bulk of the movement is taking place at night."

Citing the openness of the troop buildup, a UN military officer who asked to remain unnamed said the Bosnian Army could be bluffing to pressure the United Nations and Western powers to take effective action to lift the rebel Serbs' blockade of Sarajevo.

The Bosnian Army, which is now more than 90 percent Muslim, has apparently garnered the cooperation of Bosnian Croatian allies for whatever operation it has planned in the Breza-Visoko area. Cooperation of the Croatian militia in the nearby enclave of Kiseljak has long been seen as crucial to any Bosnian Army bid to liberate Sarajevo.

Officials of the militia refused to comment on the buildup Wednesday afternoon.

One militia truck carrying a mortar moved along Kiseljak's main street, and residents said a mobilization of Bosnian Croatian fighters had been under way for about three weeks.

COMFORT: Japan Sets Up Fund for War's Sex Slaves

Continued from Page 1

slaves, the Japanese government said it was taking the action "based on our remorse for the past on the occasion of the 50th anniversary of the end of the war."

"When these projects are implemented, the government will express the nation's feelings of sincere remorse and apologize to the former wartime comfort women," Kojo Igarashi, the chief cabinet secretary, said.

"In addition, the government will collate historical documents on past wartime comfort women, to serve as a lesson of history," Mr. Igarashi added.

The fund will be private in a formal sense, because the Japanese government has been hesitant to pay official compensation to foreign victims of its army's misconduct during the war. However, the fund will be subsidized with public money, and officials are also expected

to lean on corporations to encourage private donations.

The fund, called the "Asian Peace and Friendship Foundation for Women," will support medical and social welfare projects for the former sex slaves. It is expected to pay a modest sum to the women, as well as cover their medical expenses, and also underwrite other projects to raise the general status of women in Asia.

Officials here say that when the meeting is over there will be, as a leaked copy of the draft communiqué has made clear, a plan to urge the International Monetary Fund to strengthen its financial resources and surveillance of Third World countries to prevent another Mexico-style financial crisis.

Also making the G-7 leaders

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FRANCE: West Sees Test Ban Treaty as Major Goal

Continued from Page 1

of its nuclear deterrent as a supreme national interest that "comes above every other consideration, including those of a diplomatic nature."

The bottom line for France and its allies, diplomats said, is a view that nuclear deterrence remains the linchpin of a credible Western defense posture.

Other nuclear powers, including the United States and Britain, do not want to set a precedent of undermining national sovereignty on such issues. France's big neighbors, Germany in particular, see the French capability as part of their security.

"None of the nuclear powers is ready to dispense with nuclear deterrence as a weapon of last resort, so none of us really blames France for wanting to be sure it can continue modernizing its arsenal," one of these sources said.

The only condemnation came from governments in some small European countries, including Belgium and Denmark, and from Russia, which can no longer afford to modernize its own nuclear arsenal.

Most Western governments welcomed Mr. Chirac's announcement because it committed France firmly to a halt in testing next year. They accepted the official explanation that the last eight tests will enable French scientists to shift their testing programs into laboratories, where computers and lasers are used to simulate nuclear explosions.

Although the State Department expressed re-

gret, U.S. officials dismissed suggestions that it might be a source of contention for Mr. Chirac when he meets other world leaders at summit talks this week of the major industrial nations.

European scientists, who have visited the South Pacific test site with colleagues from Australia and New Zealand, maintain that they found no evidence of radioactive fallout or environmental damage from previous underground tests.

The purpose of the eight tests, to be conducted between next September and May 1996, before the planned treaty signing, the officials said, is to enable France to get the data it needs to calibrate simulated explosions.

This program, to be located in a laser facility under construction near Bordeaux, will be reliable only if France's current warheads, for nuclear submarines and long-range missiles delivered by planes, are tested now to provide benchmarks.

French officials have denied that the tests will be used to develop new weapons, including smaller warheads that French forces might use in contingencies short of all-out nuclear war.

Nuclear independence has always been a touchstone of Gaullism, so allied governments are loath to risk offending Mr. Chirac in this domain so soon after he has taken office and at a juncture where they are hoping for French cooperation on a range of security issues, including changes in the North Atlantic Treaty Organization.

ASIA: Pacific Nations Are Angered by French Decision

Continued from Page 1

yield explosions of under half a kiloton. If that was accepted, he said, the comprehensive test ban treaty would "effectively be scuttled."

Japan, the only country to suffer a nuclear attack, is bitterly opposed to nuclear testing and regards China's growing arsenal of such weapons as a threat to its national security.

Last month, Japan for the first time took punitive measures against China for detonating a nuclear bomb, cutting aid grants to Beijing, a move more symbolic than substantial.

The freezing by Australia and New Zealand of the limited defense cooperation they have with France was also symbolic.

But analysts said that the move indicated how strongly most countries in the region feel about

nuclear testing: It is both unnecessary and unsafe.

Gareth Evans, the Australian foreign minister, said in Tokyo that Mr. Chirac's decision was deplorable and would "undermine the respect and credibility that France has been rebuilding for itself in the South Pacific."

And Don McKinnon, the New Zealand foreign minister, accused Paris of "Napoleonic arrogance."

Meanwhile, in Paris on Wednesday, Mr. de Charette called such reaction entirely predictable, if excessive.

He said that the prospect of a final halt to French testing in May 1996 and the closure of the test site in the South Pacific in time to conclude a test ban treaty "is the essential response to the questions raised."

CHEW: A Messy Vice

Continued from Page 1

Burma. Daw Aung San Suu Kyi has been under house arrest here since 1989. She won the Nobel Peace Prize in 1991.

"This is crazy," said a Western diplomat here, shaking his head when discussing the ban on betel. "People have few enough pleasures in a country like this. You'd think that the generals would understand that it's in their best interest to keep the people slightly anesthetized."

Betel chewers say that the nut, which grows on acacia palm trees and is served in slices rolled up in a leaf dabbled with pulverized lime to cut the acidity, produces a sense of mild euphoria.

The practice of chewing betel dates back to the start of recorded history in Asia. And while betel is chewed by hundreds of millions of people as far away as Africa and Australia, in Burma it has always enjoyed a special significance.

For many Burmese, betel chewing is considered a prelude to romance, and, in earlier times, a young Burmese woman made clear her choice of a husband by offering him a carefully wrapped wad of betel. In Burmese tradition, a dying man must always be given a last chew of betel as a final earthly pleasure.

One dedicated betel chewer in Rangoon used his sleeve to wipe away the last of the red juice from his lips.

"It is a little like the feeling of alcohol," said the 50-year-old merchant, explaining that he had begun making monthly trips out of the capital to buy his supplies of the outlawed nut.

HEALTH/SCIENCE

Evoking Fears To Find How The Brain Works

By Daniel Goleman
New York Times Service

NEW YORK — It was an odd request. The woman, a patient with obsessive-compulsive disorder, was asked to bring two towels from home to a brain imaging laboratory at Massachusetts General Hospital in Boston. One towel was freshly laundered; the other she had used when she washed her hands after going to the bathroom.

For the woman, that used towel was an object of horror and dread. If she held it in her hand, it would trigger an overwhelming train of obsessions about contamination and germs, and an almost unbearable urge to wash immediately that if not acted on would set off a state of high anxiety. But despite her loathing, the woman held the soiled towel as she lay still inside the tube of a PET scanner.

The woman was one of several dozen patients with a range of psychiatric problems who, in the interests of science, have volunteered to have their worst symptoms provoked while images are made of their brains. The goal: to capture an image of the perturbations of their brains while they wrestle with their obsessions and compulsions.

The approach is adding a new level of detail to psychiatry's understanding of what goes wrong in the brains of patients when symptoms as diverse as post-traumatic stress, obsessions, phobias and delusions have them in their grip. "This approach lets us see the brain circuitry that presumably is involved in the symptoms themselves," said Dr. Scott Rauch, a psychiatrist at Harvard University Medical School who conducted the study of the woman with obsessive-compulsive disorder.

Dr. Daniel Weinberger, of the National Institute of Mental Health, said: "It's a long-standing mystery exactly what systems of the brain are active during psychiatric symptoms. If you take a brain scan of a psychiatric patient who is not having symptoms at the time, you don't know if what you see is related to the disorder. But if you evoke the symptoms, you are much more certain that what you see physiologically bears a relationship."

The scans of patients with symptoms of obsessive-compulsive disorder showed, for example, increased activity in a series of structures linked to the limbic system, the ancient emotional part of the brain. Scientists hope that by establishing the unique brain signatures of psychiatric symptoms they will eventually be able to use imaging methods to bring greater precision to diagnosis and treatment. "One day brain imaging may help sort out which patients would benefit from what treatment," said Dr. Rauch.

Dr. Rauch directed the study of eight patients with obsessive-compulsive disorder, as well as a study of seven patients with phobias and another eight who suffer from post-traumatic stress disorder. His group at Massachusetts General Hospital is one of a handful of the United States that are carefully provoking psychiatric symptoms in patients so brain images can be made.

THE research strategy is very new. The first published report of the approach, Dr. Rauch's study of obsessive-compulsive patients, appeared last year. Last month researchers at the University of Washington School of Medicine in Seattle published findings in *The American Journal of Psychiatry* on patients who were hyperventilating during panic attacks.

While many previous studies have used brain images of patients with psychiatric disorders, little attention has been paid to the patients' mental state at the moment the images were made. Typically, patients have been asked to lie quietly during the procedure, under the assumption that the brain would be in a "neutral" state.

But as symptoms wax and wane, the images rendered of patients' brains can change drastically. "Simply asking patients to lie quietly fails to control for whether they are happily daydreaming, worried about their taxes or having a panic attack," said Dr. Rauch. In the study of patients with obsessive-compulsive disorder, the onset of symptoms was carefully orchestrated with the brain images taken. The woman with the dread of soiled towels,

Brain Signatures Of Psychiatric Reactions

Six patients with phobias about various animals showed characteristic brain activity when exposed to the objects of their phobias. At right, the composita data on their brain activity is shown in three panels, each a horizontal section through the brain at successively lower levels a few millimeters apart, just below the middle of the brain. The background represents an MRI of the brain structure. In PET scans of brain blood flow, the patients tested showed significantly greater activity, represented by bright spots, when faced with the objects of their phobias than when represented with a neutral control stimulus.

Anterior cingulate cortex



Anterior temporal pole



Insular cortex



for example, first held the clean towel while she relaxed and inhaled a radioactively tagged form of carbon dioxide, which would highlight her brain activity during the PET scan.

After a 20-minute break while the radioactive markers decayed, she was handed the dirty towel. When she reported that her obsessions were in full sway, she inhaled the radioactive carbon again and a second image was made. Since the woman was touching a towel during both images, the researchers could differentiate between the brain activity associated with touching something and the brain activity associated with obsessive-compulsive disorder symptoms.

During the patients' symptoms, the PET scans showed heightened activity in the paralimbic belt, structures linked to the limbic system, the ancient

emotional part of the brain. Most active were the insular cortex, a region enfolded deep within the cortex; the posterior orbitofrontal cortex, which lies behind the forehead; the anterior cingulate cortex, which is above and behind the orbitofrontal zone, and the anterior temporal cortex, just in front of the ears.

NEW YORK — Four Texas geologists have reported evidence for animal life 400 million years earlier than previously assumed. If the scientists' suspicions

Sighting of Brown Dwarf Reported

By John Noble Wilford
New York Times Service

PITTSBURGH — In the first major discovery by the new Keck Observatory in Hawaii, the world's most powerful telescope, astronomers reported what they said was the first confirmed sighting of a brown dwarf, one of those elusive theorized objects bigger than a planet but not quite a star.

So small and dim are the supposed brown dwarfs against the dark background of space that the search for them has taken astronomers to the limits of their telescopes' observing capabilities. Several brown-dwarf candidates have been reported in recent years, only to be eliminated by subsequent research.

But with the 400-inch (1,000-centimeter) Keck telescope, capable of seeing objects one-fourth as bright as anything detectable by the 200-inch telescope on Mount Palomar in California, and with a new search strategy, astronomers think they are now able to prove the existence of brown dwarfs, understand their characteristics and perhaps determine eventually how much of the so-called missing mass in the universe they could account for.

A team of astronomers from the University of California at Berkeley and San Francisco State University identified a faint low-mass object in the Pleiades star cluster, the familiar "Seven Sisters," as a brown dwarf based on an analysis of the chemical element lithium in its atmosphere. The fact that lithium is still detectable indicates that little if any hydrogen burning is taking place inside the object.

A star by definition is a massive sphere of dense gas glowing from the thermonu-

clear fusion of hydrogen, a process that would quickly destroy all the original lithium in small stars and virtually all in larger stars like the Sun. The smaller a star or a low-mass substellar object like the theorized brown dwarf, the cooler is its center, and the longer it takes to destroy lithium.

The team leader, Dr. Gibor Basri, a Berkeley astronomer, justified the claim that this was a "confirmed sighting of a brown dwarf" on the ground that the object is not only extremely dim, in the nature of brown dwarfs, but also "it has not destroyed lithium in its center."

The observations were reported here at a meeting of the American Astronomical Society. The other team members are Dr. Geoffrey W. Marcy of San Francisco State University and Dr. James R. Graham, also of Berkeley.

"This is a tremendously exciting result," said Dr. James Liebert, an astronomer at the University of Arizona at Tucson who is an authority on brown dwarfs and other dim, cool stellar objects.

BUT he said the many implications of the discovery were not yet clear, and he stopped short of agreeing with the interpretation that this was indeed a confirmed brown dwarf. Because the new findings appeared to show a greater age for stars and the possible brown dwarf in the Pleiades than had been estimated, Dr. Liebert suggested that the object in question could be a small star with low hydrogen fusion that had not yet consumed all its original lithium. In that case, he said, the object was not a brown dwarf now, but might become one when its fusion furnace finally cooled off, in perhaps another billion years.

The Pleiades, which had been thought to

be 76 million years old, now appeared to be 115 million years old, the California team reported on the basis of the new observations. Stars get fainter with time, and so to have its luminosity at the greater age, the reported brown dwarf must have a higher mass that approaches the boundary between low-mass objects of the brown-dwarf class and the lowest-mass true stars.

Responding to these comments, Dr. Basri affirmed, "Either age, it's a brown dwarf." But he and his colleagues acknowledged that if the Pleiades cluster is younger than the new estimate, then the identification of the brown dwarf becomes more compelling because it would presumably have an even lower mass.

Dr. Liebert said it was "absolutely crucial to find other fainter ones" and determine that they also display a clear lithium signature. Dr. Basri said that was the next step in the team's research. "A couple of new candidates" have already been detected and are being studied, he said.

If they turn out to be fainter and smaller and have lithium, Dr. Liebert said this would be a more clear-cut result showing that brown dwarfs had at last been discovered.

The object thought to be a brown dwarf, designated PPL 15, was first detected at Palomar Observatory in 1989 by Dr. John Stauffer, an astronomer at the Harvard-Smithsonian Center for Astrophysics in Cambridge, Massachusetts. Nothing definitive could be said about it until it was examined in visible and infrared light by the Keck telescope on Mauna Kea in Hawaii, which began full operation last year. By breaking up the object's faint light with a high-resolution spectrograph, astronomers found the critical signature of lithium, which they consider the most direct method available for identifying brown dwarfs.

Asteroid With a Past: A Close-Up

By William J. Broad
New York Times Service

NEW YORK — Probing the heavens with a big radar system, scientists at the Jet Propulsion Laboratory in Pasadena, California, have captured the image of the asteroid Geographos as it recently sped close to Earth. It turns out to be a cigar-shaped rock about three

miles (4.8 kilometers) long, the most elongated object known in the solar system.

Asteroids are usually seen only as distant points of light, even in powerful telescopes.

The radar picture of Geographos joins a small gallery of images, including those of the asteroids Gaspra and Toutatis, that are collectively giving scientists their first close-up glimpses of these rocky masses

that constantly hurtle through the solar system.

Some of the asteroids, including Geographos, have orbits that occasionally cross Earth's, thus threatening the planet with the possibility of cosmic bombardment.

The images are revealing scars and shapes suggestive of long and cataclysmic histories. "This object has a very unusual shape," Steven J. Ostro, a

senior scientist at the laboratory, and 11 colleagues wrote in the journal *Nature*.

Geographos was discovered in 1951 by scientists at the Palomar Observatory near San Diego. In 1969, it passed close to Earth and showed greater variations in brightness than any other asteroid. Scientists speculated that it was quite long, with its rotations causing changes in its illumination by sunlight.

Last year, when Geographos again passed close to Earth, astronomers at the Jet Propulsion Laboratory used a new radar system at the deep-space tracking station of the National Aeronautics and Space Administration in the Mojave Desert to obtain several images, revealing the very long shape indicative of a cataclysmic past. Radio waves were bounced off the asteroid daily for a week last August.

New Theory on Beginning of Animal Life

By Walter Sullivan
New York Times Service

NEW YORK — Four Texas geologists have reported evidence for animal life 400 million years earlier than previously assumed. If the scientists' suspicions

prove true, the discovery would be a major one, since it has been believed that animals first appeared long after the first multicelled plants.

Similar reports have appeared in the past but have not been generally accepted. This one, published in the March issue of the journal *Geology*, has also been questioned.

The evidence consists of rod-like thickenings of a thin layer of chert in a talc quarry in western Texas. It is proposed that these are the remains of sediment-filled tubes, "most likely the feeding trunks of animals graz-

ing on algal mats in shallow subtidal or intertidal environments." The authors, at Texas Christian University, were Dr. John A. Breyer, Dr. Arthur B. Busbey, Dr. Richard E. Hanson and Edward C. Roy 3d. The slab containing the fossils was removed and taken to Fort Worth for study. A available data for the formation puts its age at 1.25 billion years.

The multicellular plants, or metaplasts, are believed to have appeared 1.3 billion years ago. The discovery, the authors say, could eliminate the mysterious lag between appearance of the

first plants and first animals.

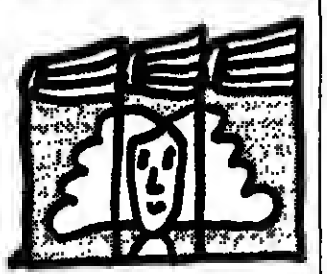
A leading specialist in the field, Dr. Bruce Runnegar of the University of California at Los Angeles, was skeptical. The traces do not resemble younger trace fossils, he said.

BOOKS

WHAT THEY'RE READING

• Ann Huybens, the Belgian fashion designer, is reading Janet Frame's autobiography, which was the basis of the film, "An Angel at My Table."

"In the first volume, 'To the Island,' I love her very feminine, intuitive, surreal way of thinking." (John Brunton, *LIT*)



staged confrontations between victims and their tormentors. But she finds none of the strategies effective. In the Czech Republic, she discovers old Communist bureaucrats with a firm hold on money, access and contracts, despite a post-1989 law that banned party officeholders and secret police collaborators from jobs in government, university or state enterprises. The Czech approach is arbitrary and unfair, Rosenberg concludes. "People have the right not to be heroes," she says, and the Czech system for vetting its citizens fails to show if someone was a dutiful socialist who nonetheless tried quietly to outwit the system.

The middle third of the book is mostly a profile of Wojciech Jaruzelski, the Polish general in the sunglasses who has transformed his popular image from Stalinist yes-man to patriotic hero. Rosenberg does not admire Jaruzelski, but she does probe his shadows enough to make him the book's most intriguing character.

Even in the former Eastern bloc, basic human sympathy for anyone who concedes fault can erase the deepest of resentments. Jaruzelski — a man who devoted himself to the Soviet system even after Stalinism ravaged his family — had only to apologize to his people and undertake a campaign to rehabilitate himself in the public eye, and, presto, his approval ratings soared.

Efforts to deal with the past reach their greatest bureaucratic efficiency and most ambiguous morality in Germany. Eastern Germans never had a chance to create their own process; it was imposed upon them by Western Germans only too eager to have another go at a process they

botched the first time around, when de-Nazification produced only 7,000 convictions in nearly 90,000 cases.

Instead of trials and purges, Rosenberg favors official efforts to correct the historical record, compensation for victims, and affirmative action for those denied opportunity under the old regime. And in the former Eastern bloc (except for Germany), it is hard to tell the victims from the victims. Nearly everyone's dossier is gray.

"The Haunted Land" suffers somewhat from Rosenberg's late arrival in the region (she made her first trip in October 1991) and from her decision to cover three very different cultures and political sensibilities in one volume. Interviews feel too retrospective; there is a secondhand quality to too many stories.

And because she limits her survey to government officials, prominent dissidents and others with experiences far from those of everyday citizens, Rosenberg ends up with a portrait that lends too much credence to the bitterness and disappointment of those who will never adjust to Western ways.

Marc Fisher, author of "After the Wall: Germany, the Germans and the Burdens of History," is on the staff of *The Washington Post*.

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THE HAUNTED LAND: Facing Europe's Ghosts After Communism

By Tina Rosenberg, 437 pages.
\$25. Random House.

Reviewed by Marc Fisher

IN the eternal struggle between history and memory, a special chapter should be reserved for the criminals, conspirators and bystanders who manage to rewrite the past to award themselves the coveted title of "victim." When repressive governments and corrupt political systems finally fall, those who were the pillars of wrong transform themselves into the wronged. The latest example comes in central Europe, where deposed Communists and their vast armies of informers and snitches have spent the past five years explaining away old files, dodging prosecutors

and urging their countrymen not to judge the past by the standards of the present.

Tina Rosenberg, a journalist who previously devoted her attention to the black-battled dictators of Latin America and their white-swathed, impoverished victims, spent a couple of years ranging around the former Eastern bloc, where she found trickier shades of gray. Totalitarian Communists in Poland, Eastern Germany and what is now the Czech Republic turned everyone into both victims of and participants in the system. So when it came time to create democratic institutions and confront the past, each country had frustratingly little to show for its efforts. Rosenberg surveys the menu of central Europe's methods of "working through the past": official apologies, reparations, criminal trials, purges from office, truth commissions, even

BRIDGE

By Alan Truscott

THE sponsorship of bridge events has been standard practice in Europe for years but is rare on this side of the Atlantic. In January, the Manhattan Club was able to find three sponsors for a Calcutta event. With help from Pipeline, an Internet provider in New York City, Oklahoma, which lets four players in any location compete, and Famous Famiglia Pizzeria, the organizers assembled a prize fund of over \$16,000. This is thought to be a record for a single-session event.

The winners collecting \$7,600, were Robb and Linda Gordon. Runners-up were Marty Seligman and Fred Van Fleteren, who won \$4,200.

The final deal, shown in the diagram, decided the top ranking. North-South, as shown, bid to three no-trump after Robb Gordon opened with East. The no-trump game had been made, thanks to six club tricks, two heart tricks and a spade trick, but Gordon boldly perched to four spades in the teeth of the vulnerability. That could have been doubled, for

down one and a penalty of 200, but South was still hoping to score a game. He persevered to four no-trump, and the bidding ended.

After a spade lead to the ace and a spade continuation, South had nine tricks but not a tenth. East-West gained 100 imps, about double their margin of victory. If South had been allowed to play in three no-trump, he would have scored 400 and East-West would have lost 61 imps.

NORTH
♠ 9 4
♥ A 3
♦ Q 3
♣ K Q 10 4 2

EAST (D)
♠ A Q J 8 7 2
♥ Q 8 7 4
♦ —
♣ A J 9 5

SOUTH
♠ K 3
♥ K
♦ K J 5 7 5 4 2
♣ A 7 3

East and West were vulnerable.

The bidding:
East South West North
1 ♠ 2 ♠ 2 ♠
3 ♠ 3 N.T. Pass Pass
4 ♠ 4 N.T. Pass Pass

West led the spade five.

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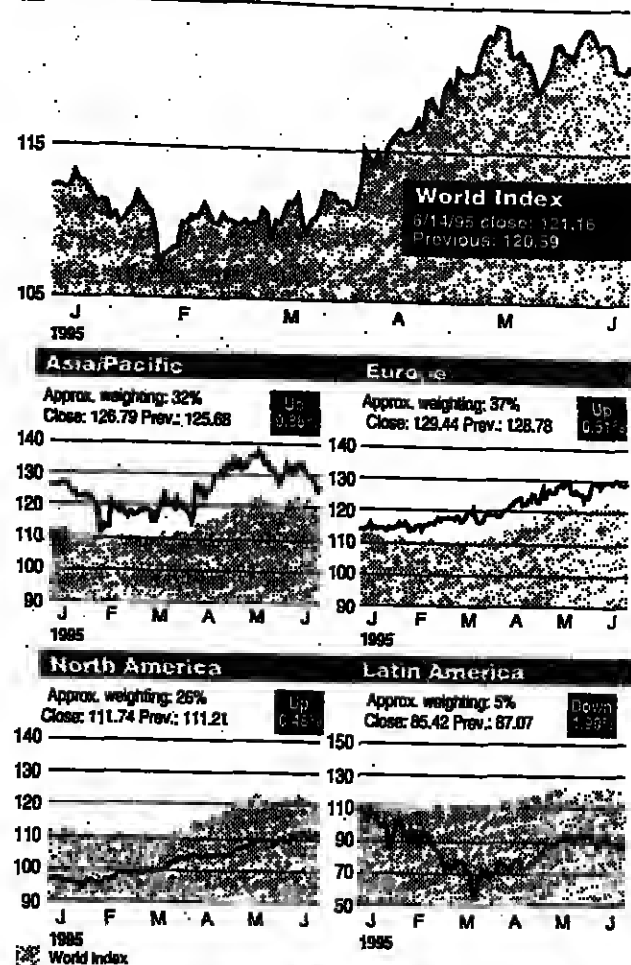
Herald Tribune BUSINESS / FINANCE

THURSDAY, JUNE 15, 1995

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THE TRIB INDEX: 121.16

International Herald Tribune World Stock Index, composed of 280 internationally investible stocks from 25 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and other major financial centers. The index is composed of the 20 top issues in terms of market capitalization, otherwise the top 100 issues are tracked.

Industrial Sectors	Wed. close	Prev. close	% change
Energy	124.82	124.99	-0.14
Utilities	131.55	131.31	+0.26
Finance	118.79	117.98	+0.89
Services	113.89	113.15	+0.65
Capital Goods	125.04	124.39	+0.52
Raw Materials	136.86	137.26	-0.31
Consumer Goods	117.18	116.52	+0.57
Miscellaneous	132.43	131.35	+0.82

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92221 Neuilly Cedex, France.

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Executive In France Restricted By Judge

By Barry James

International Herald Tribune

PARIS — Compagnie Générale des Eaux, the French water and industrial services concern, said Wednesday that its chairman had been placed under "judicial controls" stemming from allegations of corrupt practices.

But a company spokesman said the controls imposed by an investigative magistrate on Guy Dejouany were limited and did not interfere with his management of the company.

Mr. Dejouany, 74, appeared Monday before Judge Jean-Michel Preterre, who is investigating the alleged payment of bribes for a 1991 water contract for the municipality of Saint-Denis on the French island of Réunion in the Indian Ocean. Mr. Dejouany has denied any wrongdoing.

"The imposition of judicial controls, which the chairman learned after his meeting with the judge on Monday, is very limited," said the spokesman. "What is very important for us is that he can freely exercise his functions as chairman."

The spokesman said Mr. Dejouany had been barred from conferring with elected officials of Réunion who had been implicated in the case, adding that the chairman did not usually deal with them anyway.

In France, targets of official investigations may be put under judicial controls, whose terms are set by a judge.

After his meeting with the judge in Paris on Monday, Mr. Dejouany said, "I did not participate in any way in the events in question."

Général des Eaux announced May 24 that Mr. Dejouany was being investigated. The case was the latest of several inquiries into alleged corruption and other illegal practices at French businesses.

Contractors on Defensive Military Suppliers See a Wave of Mergers

By Barry James

International Herald Tribune

PARIS — After a decade in which military procurement has dropped 70 percent and a million jobs have been lost in the sector, U.S. defense contractors at the Paris Air Show say they can at last see light at the end of the tunnel.

But they predict more mergers and acquisitions as their market continues to contract over the next couple of years.

Senior executives of three major U.S. defense groups exhibiting at the air show — Northrop Grumman Corp., the newly merged Lockheed Martin Corp., and McDonnell Douglas Corp. — all contended they would hold their ground in the shrinking industry.

The three corporations are heavily dependent on U.S. defense procurement as they face yet another round of congressional budget cutting. U.S. arms exports have plunged 41 percent since 1987 and show little sign of recovering in the face of aggressive competition from Europe and other parts of the world.

In 1985, there were eight

corporations competing for 497 aircraft orders. In fiscal 1996, there will be four corporations competing for 46 aircraft. Helicopter orders have fallen from 353 to 60 over the same period. In 1985,

next five to 10 years," said George Hubbard, McDonnell Douglas's divisional director for international business.

"We think there will be continuing mergers and acquisitions and downsizing. But we have already gone through the pain, and we are stable. We have enough critical mass to compete but also the financial strength to make acquisitions if we want to."

Kent Kress, the chairman of Northrop Grumman, said the company could continue at its current level even if Congress eventually decided not to order a further 20 of the B-2 strategic stealth bombers, one of which paid a brief visit to the air show on Sunday.

The B-2 costs an estimated \$1 billion, but the price would come down given a longer production run.

Northrop Grumman, had some \$6 billion in sales last year, including \$800 million worth of aircraft and related equipment for Boeing and other civilian manufacturers.

Charles Manior, a Lockheed Martin spokesman, said that years of "free fall" in the industry were coming to an end.

"We think we are very

See DEFENSE, Page 14

The Paris Air Show

there were 12 missile manufacturers competing for 87,700 missiles. Now there are eight manufacturers competing for 1,800 missiles.

McDonnell Douglas, which posted \$13.2 billion in sales last year, called this a "major paradigm shift — not business as usual."

Analysts said the shakeout in the industry was probably still only two-thirds complete, with tens of thousands of jobs still to be cut.

Nevertheless, the U.S. executives expressed confidence that their corporations were correctly positioned in the market and well placed to take advantage of any increase in orders.

"For planning purposes, we have to assume that the declines we have seen are permanent, but we also think we have reached a plateau for the

Microsoft Finds That EU Is Watching

Compiled by Our Staff From Dispatches

BRUSSELS — Microsoft Corp.'s plan to include access to its new on-line service with Windows 95, the successor to its popular Windows program, will come under European Commission scrutiny, a commission official said Wednesday.

"Does it distort competition? Is Microsoft eating up competitors?" said Stefano Micossi, a commission director general. "We are thinking about our regulatory approach."

Karel van Miert, the commissioner for competition, said the executive body of the

European Union had not launched a formal investigation of Microsoft but was "preparing just in case."

The European interest follows the start last week of a U.S. Department of Justice investigation into whether bundling the on-line service with Windows 95 is anti-competitive.

"We are watching the Justice Department," Mr. Micossi said.

Microsoft plans to launch its new program Aug. 24 in the United States and a few weeks later in Europe.

Inclusion of access to the on-line service

could be seen as threatening independent on-line providers. Many users of those services need to use programs that work with Microsoft's operating systems.

Microsoft's DOS and Windows operating systems are used in more than 80 percent of the world's personal computers.

Also on Wednesday, International Business Machines Corp. said it was planning a joint venture with Europay International, which groups most of Europe's major credit card companies.

The initiative is expected to be launched in 1996.

Time Severs Hasbro Link To Cut Debt

Compiled by Our Staff From Dispatches

NEW YORK — Hacking away at its \$15 billion mountain of debt, Time Warner Inc. said Wednesday it would cash out its stake in Hasbro Inc. and sell bonds to refinance higher-yielding obligations.

Time said it planned to raise cash by placing its interest in Hasbro with investors. Time is selling 12.1 million preferred shares that are tied to the value of its 14 percent stake in the toymaker, which currently is worth about \$390 million. The company chose to issue the preferred stock so it could defer taxes on the profit from the sale.

The preferred stock will be redeemed for Hasbro stock or for cash late in 1997. Another kind of security, previously sold, also is linked to the Hasbro stock, and the two issues effectively cancel Time's exposure to fluctuations in Hasbro's stock price.

Time also offered \$500 million of 10-year notes and said it planned to use the proceeds to pay down some of its high-yielding debt. The company has been weighed down by its borrowings since Time Inc. bought Warner Communications for nearly \$15 billion in 1990.

Dealers said Time had to raise the interest rate to be willing to pay to find investors. The notes were sold at a price that gave investors a 7.85 percent yield, 1.70 percentage points above the 10-year Treasury bond and more than the differential of 1.65 points the company had wanted to pay.

(Bloomberg, AP, AFX)

INTERNATIONAL MANAGER

Story of Risk-Taking Ends in Tragedy

Lee J. Miller
Bloomberg Business News

BANGKOK — Dumri Konuntakiet liked to play when the stakes were high, whether on the golf course, in the casino or in the boardroom. In 1989, the company Mr. Dumri founded, Unicorn Co., paid \$283 million for Bumble Bee Seafoods Inc., which owned what was then the third largest-selling brand of canned tuna in the world.

After six years of trying to win back his money, Mr. Dumri, 43, concluded all bets were off. He shot himself in the head in his office Tuesday shortly after lunch, the police said.

Unicorn, which has a debt burden of \$150 million, faces a troubled future without the man who had been able to soothe creditors.

Banks made loans to Unicorn because of Mr. Dumri's skills as an entrepreneur, an executive from a company that had supplied tuna to Unicorn said. Without him, and with those big debts, Unicorn is going to have trouble borrowing, he said.

Mr. Dumri founded Unicorn in 1978. Within a decade he built it into one of Thailand's biggest tuna canners.

But he was not satisfied. He persuaded lenders to put up about 85 percent of the money he needed to buy Bumble Bee from Pillsbury Co., the U.S. food company that had just been taken over by Grand Metropolitan PLC of Britain.

"In retrospect, Unicorn was in way over its head," said Sathorn Ruckpanich, vice president of Union Asia Finance

Co., a unit of Bangkok Bank Ltd. "But with the right pitch, it probably sounded like a perfect match at the time."

Among the lenders were Bangkok Bank, Bankers Trust New York Corp. and Heller Financial Inc.

If buying Bumble Bee was not a mistake, Unicorn's subsequent strategy was. Immediately after the takeover, Mr. Dumri tried to grab market share by

Unicorn, which has a large debt burden, faces a troubled future without the man who had been able to soothe creditors.

cutting prices. Soon Bumble Bee surpassed the No. 2 brand, Chicken of the Sea, owned by Stokely-Van Camp Inc., though it remained well behind the leader, Star-Kist, owned by H.J. Heinz Co. "Dumri bought market share by dumping product," said Tim Real, general manager of Tri-Marine International Inc., a seafood supplier. "So he was losing money to reach his ultimate goal — to become the No. 1 tuna cannery."

Unicorn had a loss of 321 million baht (\$13 million) last year and lost an additional 171 million baht in the first quarter of this year.

This week, Unicorn denied in a report to the Stock Exchange of Thailand that

Bangkok Bank was demanding repayment of 1 billion baht by year-end.

Deja Tulananda, Bangkok Bank's senior executive vice president, told the Bangkok Post that a rescheduling of Unicorn's debt would be discussed at the bank's next board meeting. He said Unicorn's problems would be solved if the company could sell Bumble Bee Seafoods.

That, though, is easier said than done. Mr. Dumri tried to sell Bumble Bee's brand name but not its three factories in California, Puerto Rico and Ecuador. The potential buyer was Chemical Venture Partners, a group of former Bumble Bee executives and Chemical Bank. Unicorn said in February that a letter of intent had been signed to sell Bumble Bee for \$155 million.

The announcement was premature. The potential buyers were not pleased about the publicity, said a Unicorn executive who asked not to be identified.

Unicorn stock rose on news of the deal, and Mr. Dumri profited from that, the executive said, while other executives were not told much about the deal.

At the company's request, Unicorn shares were suspended Tuesday. They last traded at 5.80 baht, down from this year's high of 7.40, reached in February when news of the sale was prematurely released. That sale still has not taken place.

The stock once traded at 160 baht in the over-the-counter market shortly before the company was listed on the Thai stock exchange in 1989.

ICL Teams Up with Aquarius

Fujitsu Unit Hopes Alliance Will Raise European Sales

By Brandon Mitchener
International Herald Tribune

SOMMERDA, Germany — Fujitsu's British subsidiary, ICL, announced a strategic partnership with the East German computer maker Aquarius Robotron on Wednesday that both companies hope will propel them into the big league of personal computer sales on the Continent.

ICL Volume Products, the personal computer division of ICL PLC, said it was buying a majority stake of Aquarius Robotron Systems GmbH from shareholders that include the German state of Thuringia, which rescued the company from collapse in October.

Aquarius Robotron was formed in 1990 through a joint venture between Aquarius Systems International GmbH and Robotron, the former East German computer conglomerate.

Aquarius is the fifth-largest supplier of PCs in Germany. ICL is 84 percent owned by Fujitsu Ltd., the world's second-largest information technology company, and 16 percent owned by Northern Telecom Ltd.

The alliance puts ICL, which is best-known as a maker of mainframe computers and servers, "in the top league in Germany" and represents "a major step" toward its goal of becoming one of the four largest PC makers in Europe, said David Mills, managing director of ICL Volume Products.

For Aquarius, the alliance ends a desperate search for a strong strategic partner that began

when its previous joint-venture partner, Robotron, went bankrupt. The situation worsened with the bankruptcies of Commodore Computer and Tandon, two of the biggest companies for which it made computers under license.

Aquarius's personal computers and monitors are already sold throughout Europe under the names ASI and TBird, but Winfried Hoffmann, the founder and managing director of Aquarius, said the alliance with ICL catapulted the German company into the big leagues of European computer companies.

"The Aquarius product line will be sold in Europe through ICL sales channels and the ICL products will be available for sale through the ASI channels," he said.

Now capable of producing 300,000 PCs a year, Aquarius could produce as many as 500,000 by adding extra shifts.

Aquarius does not disclose specific sales and profit figures, but Mr. Hoffmann said its sales were up 60 percent in the first quarter from a year earlier. ASI sells thousands of computers through Germany's two biggest mail-order houses, Otto and Quelle.

ASI first caught ICL's attention when Deutsche Telekom, the German phone company, recently began buying ASI computer equipment instead of Nokia Data, which is wholly owned by ICL.

Now, ICL hopes to take advantage of German government purchasing requirements that give special preference to companies that manufacture in Eastern Germany.

German Police Seek Man Who Helped Schneider

By Barry James

International Herald Tribune

FRANKFURT — Prosecutors issued an international arrest warrant Wednesday for an Egyptian man they said helped the German property magnate Jürgen Schneider evade capture for more than a year.

A warrant was issued for the arrest of Mostafa Kastawi, a Geneva-based businessman, according to Rainer Schilling, a spokesman for the prosecutors' office. Mr. Schilling said Mr. Kastawi was wanted on suspicion of fraud.

In April 1994, Mr. Kastawi allegedly rented the apartments in Miami in which Mr. Schneider, his wife and an aide, Luigi Poletti, then lived until they were arrested last month.

Mr. Schneider disappeared in April 1994, leaving his property empire to collapse. He and his wife are being held in Miami awaiting hearings on an extradition request from Germany, where Mr. Schneider faces charges of defrauding creditors.

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Compagnie de Suez Considers Suitor For Banking Unit

The prospect of a sale comes amid speculation that Suez may be at risk of a takeover bid from Banque Nationale de Paris and Union des Assurances de Paris. Analysts said last week that a link with Pinault-Printemps would be aimed at warding off predators. Shares in Suez fell 0.60 to 262 francs (\$53.25).
(Bloomberg, Reuters, AFX)

Holders of 90 percent of Norgeskredit's shares must approve Sparebanken's offer for it to go ahead.

Sparebanken said it would allow Norgeskredit to remain an independent operation and retain its name. Trond Wennberg would retain his position as managing director.

Sparebanken's offer is valid from next Tuesday to July 3. It is contingent on Sparebanken acquiring all of Norgeskredit's ordinary shares, which are now held by a foundation called Stiftelsen Norgeskredit.

(AFX, Reuters)

percent.

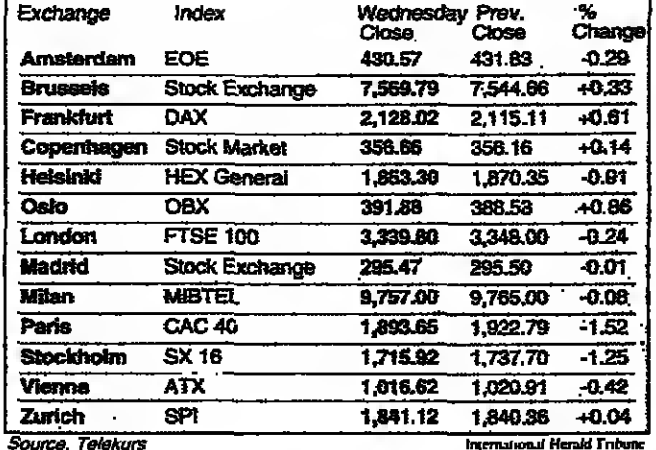
France's plan to bring down its unemployment rate — which is more than twice that of the United States and higher than that of Japan, Germany, Canada, Britain or Italy — will be closely examined when leaders of the Group of Seven major industrial powers meet in Halifax, Nova Scotia, this week.

Unit labor costs for British manufacturers rose 2.4 percent in April from a year earlier. That followed a 1.7 percent rise in the first quarter.

(Bloomberg, Knight-Ridder)

In January, KHD announced a package of measures, including a capital rise and capital write-down, after reporting a loss of 480 million Deutschmarks (\$340.8 million) for 1994.

Deutsche Bank holds about 48 percent of the group's capital. Mr. Endres, a senior Deutsche Bank executive, replaced Hilmar Kopper, the bank's chairman, as supervisory board chairman of KHD in January.



Reuters, Bloomberg, AFX, AFP, AP, Knight-Ridder

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NASDAQ

Wednesday's 4 p.m.
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press

12 Month High	12 Month Low	Div	Yld	PE	High	Low	Latest	Chg
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
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100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00

12 Month High	12 Month Low	Div	Yld	PE	High	Low	Latest	Chg
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
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100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
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100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00
100	90	1.00	4.00	25.00	100.00	90.00	95.00	+5.00

Your Guide To Over 130 Top French Companies

FRENCH COMPANY HANDBOOK 1995

Published by the International Herald Tribune, in coordination with the Paris Stock Exchange, the 1995 edition includes detailed profiles of all the companies in the SBF 120 Index. The SBF 120 Index includes the CAC 40 plus 80 other major firms. These are the companies to watch in the coming years. Each profile includes: head office, CEO, investor relations manager, company background and major activities, recent developments, sales breakdown,

shareholders, subsidiaries and holdings in France and internationally, 1990-1994 financial performance, and recent stock trading history. French Company Handbook is updated annually for financial analysts, institutional investors, corporate, government and banking executives, and documentation services - anyone who needs to know about the leading companies in the world's fourth-largest economy.

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THE WORLD'S DAILY NEWSPAPER

ASIA/PACIFIC

Bank of Japan Says Repackaging Loans Would Help Banks

Compiled by Our Staff From Dispatches

TOKYO — The governor of the Bank of Japan on Wednesday called for the country's troubled banks to deal more aggressively with their bad loans by packaging some of them into tradeable securities and posting losses on others.

In his most detailed public comment yet on the bad-loan problems, which have beset Japan's banks, Yasuo Matsushita said he thought those two measures would help deal with the problem.

Recent government estimates said Japan's banks were weighed down by 40 trillion yen (\$477 billion) of nonperforming loans, but analysts have said the actual figure may be twice that.

Finance Minister Masayoshi Takemura announced a rescue package last week to help solve the banking crisis, which he called the worst since the Depression, but analysts criticized the plan as too vague.

The government has yet to allocate public funds to bail out banks because many Japanese blame reckless lending by banks for the country's last recession and do not want their taxes to be spent to rescue such banks.

Mr. Matsushita said the packaging of bad loans into such products as asset-backed securities would be one solution. Determining a fair value of assets and then bundling them into packages of securities for sale would be one way of turning a "bad asset" into a "good asset," he said.

"It's well known that securitization of bad loans contributed

to solving the U.S.'s bad-loan problems," he said.

"Even if such a security did not yield a dividend for five years, after that an investor might be able to count on a large capital gain," Mr. Matsushita said.

He urged broader disclosure by financial institutions, calling it "a precondition to completely promote the principle of self-responsibility and is a basis to protect investors and maintain the market mechanism."

Speaking at a meeting of a Japanese business group, Mr. Matsushita also said the economy's moderate recovery was still on track but acknowledged that it had been slower than past recoveries.

As factors limiting confidence in the economy, he cited the yen's wide swings against other currencies, growing industrial competition from other Asian countries and the banks' bad-loan problem.

The yen has risen 19 percent against the dollar since the beginning of the year, making it increasingly difficult for Japanese exporters to sell profitably overseas. The Nikkei Stock Average, meanwhile, has fallen 26 percent in 1995. On Wednesday, stocks edged 60.81 points higher, to 14,660.49.

To shore up the faltering recovery, the Bank of Japan trimmed its discount rate to a record low of 1.0 percent in April.

"We expect a decline in these rates will gradually support the economy," Mr. Matsushita said. (Knight-Ridder, Bloomberg)

Japan Cosmetics Trade Due for a Makeover

TOKYO — An unfair-trading case against Shiseido Co. by the Fair Trade Commission could bring a shift in Japan's traditional retailing of cosmetics, a news report said Wednesday.

The daily Yomiuri Shimbun said the commission was set to rule that Shiseido could not control prices of its products by selling exclusively to its own stores.

Neither Shiseido nor the panel would confirm the report.

China Chips at Inflation Rate Falls for 6th Month in Row, to 20.3%

Compiled by Our Staff From Dispatches

BEIJING — China said Wednesday that its consumer price inflation rate fell for the sixth month in a row in May, to 20.3 percent annually from 20.7 percent in April.

Beijing is hoping its tight credit policies will bring the country's annual inflation rate, which peaked in November at 27.5 percent, down from the 24.7 percent recorded for all of 1994 to about 15 percent this year.

The government also reported that investment in fixed assets by state-owned units totaled 81.97 billion yuan (\$9.82 billion) in May, 21.2 percent higher than for the year-earlier month and close to the 21.1 percent growth rate recorded in April, the State Statistics Bureau reported.

This apparent leveling off of investment growth in April and May also could lead to a further slowing in the country's inflation rate, analysts say.

"If you take these figures, along with the slowdown in industrial output, then it's positive news in terms of the economy achieving a

soft landing," said Qu Hongbin, economist with Smith New Court in Hong Kong.

"If production and investment continue to slow, then the pressure on inflation will be further eased," said Huan Guoceng, chief economist for northern Asia with J. P. Morgan.

Last week, the bureau reported that industrial production in May was 13.1 percent higher than a year earlier, down from the 15.4 percent growth rate recorded in April.

Economists noted, however, that there were still many signs of inflation. Average urban consumer price increases slowed only marginally, from 20 percent reported in April to 19.9 percent in May, and the average consumer price inflation rate of 35 major cities was steady at 19.7 percent.

"Inflationary pressures are still being released in the economy," said Ma Guonan, China economist for Peregrine Brokerage in Hong Kong. "Part of the problem is the 30 percent-plus wage growth that's still going on, as well as the relatively low base last year that we are comparing with." (Bloomberg, AP)

Ayala Sues to Annul Fort Sale

Bloomberg Business News

MANILA — Threatening to scuttle the biggest state asset sale of President Fidel V. Ramos' three years in office, a consortium led by the property developer Ayala Land Inc. filed suit Wednesday to annul the sale of Fort Bonifacio.

The consortium of local and foreign companies made a bid in January for the fort, a former military camp on the edge of Manila's Makati financial district that is considered ripe for development. But it lost out to a group led by the Hong Kong-based Metro Pacific Corp.

The suit alleges that the Basco

Conversion Development Authority, the government agency that is managing the sale of military camps, changed its bidding rules to favor Metro Pacific.

Metro Pacific, the Philippine flagship of Hong Kong's First Pacific Co., led a 19-member consortium that won Fort Bonifacio with a bid of 39.2 billion pesos (\$1.53 billion) on Jan. 6.

With its bid, the group won the right to own 55 percent of Fort Bonifacio Development Corp.

The Ayala-led group, which includes Bank of the Philippine Islands as well as Mitsubishi Corp. and Marubeni Corp. of

Japan, placed second with a bid of 28.7 billion pesos.

Ayala's lawyer, Sabino Padilla, said a surety bond issued by Pioneer Insurance & Surety Corp. to guarantee the second payment of Metro Pacific had been flawed and that Pioneer's net worth was only 3 percent of the amount guaranteed.

The Metro Pacific group paid 50 percent of its bid price on Feb. 13 and is required to pay the balance by February 1996.

For collateral, the Metro Pacific group pledged its shares in Bonifacio Land Corp., the consortium's holding company. Ayala said bidding rules barred such an arrangement.

Fujitsu Plans to Make a Product Suitable for Hanging

Compiled by Our Staff From Dispatches

TOKYO — Fujitsu Ltd. will begin production of lightweight flat-screen color television sets in two years, the company said Wednesday.

The sets will feature a plasma-display screen that is only 6 centimeters (2.4 inches) thick, so it could be hung on a wall. The 42-inch (106-centimeter) screen also could be linked to personal

computers or video game players.

Plasma screens trap gases between two sheets of glass to produce ultraviolet rays that generate red, green and blue fluorescent light.

The company is looking for a production site in Japan and hopes to be manufacturing 20,000 screens a month by 1997, a spokesman said. He would not confirm local press reports that Fujitsu

would spend 60 billion yen (\$715 million) on a plant to build the screens.

(Bloomberg, Knight-Ridder, AFP)

■ **Strong Yen Forces Minolta Loss**

Minolta Co. said Wednesday that the strength of the yen and the cost of keeping products in storage caused its worldwide operations to run a loss in the year ended March 31, Bloomberg Business News reported.

Hang Seng Is Lifted by Telecom

Compiled by Our Staff From Dispatches

HONG KONG — The Hang Seng index jumped nearly 3 percent Wednesday, helped by Hong Kong Telecom Communications Ltd., which rallied after CITIC Pacific Ltd. said it would not sell its stake in the phone company.

Hong Kong Telecom finished at 15.60 Hong Kong dollars (\$2.02), up 50 cents, contributing to the Hang Seng's biggest rise in three weeks. The index rose 2.87 percent, to 9,364.77.

CITIC Pacific said its parent company had sold its stake in Hong Kong Telecom but that it had no plans to lower its own stake in the company.

"CITIC Pacific hasn't sold a single share," said Henry H.L. Fan, managing director of the Hong Kong-based conglomerate. "Our 12 percent stake is intact, and we will hold this as a long-term investment."

CITIC (Hong Kong) Ltd. sold 61 million of the main Hong Kong telephone company's shares from Feb. 21 through Monday, Mr. Fan said, adding that the proceeds would be used for infrastructure projects in China. The sale reduced CITIC Hong Kong's stake to about 1.36 percent from 1.90 percent, analysts said.

CITIC Hong Kong is the subsidiary of China International Trust & Investment Corp. that owns publicly traded CITIC Pacific.

Investors had been concerned that a sale by CITIC Pacific would foreshadow weak earnings for Hong Kong Telecom.

"CITIC Pacific is a firm holder," said Adam Quinton, a telecommunications analyst at Merrill Lynch & Co. in Singapore. "Investors would take it badly if CITIC Pacific sold."

In addition to Telecom's strength, the Hang Seng drew support from expectations of lower interest rates. Rates in Hong Kong tend to track those in the United States because the territory's currency is pegged to the U.S. dollar.

"We think there is a good chance of a Fed rate cut, and that's good news for Hong Kong," said Simon Gard, derivatives sales director at Kleinwort Benson Securities Asia. (AFX, Bloomberg, Knight-Ridder)

Investor's Asia

Exchange	Index	Wednesday Close	Previous Close	% Change
Hong Kong Hang Seng	10000	9,364.77	9,103.17	+2.87
Singapore Straits Times	2400	2,138.23	2,138.23	Unch.
Sydney All Ordinaries	2000	1,966.50	1,978.90	-0.63
Tokyo Nikkei 225	20000	14,860.46	14,589.68	+0.42
Kuala Lumpur Composite	1000	1,049.97	1,038.99	+1.06
Bangkok SET	1000	1,387.88	1,372.00	+1.16
Seoul Composite Index	800	888.56	887.32	-0.09
Taipei Stock Market Index	5000	5,413.74	5,513.70	-1.81
Manila PSE	1000	2,810.66	2,805.27	+0.19
Jakarta Composite Index	4000	489.32	487.48	+0.38
Wellington NZSE-40	2000	2,084.21	2,086.02	-0.09
Bombay Sensitive Index	3000	3,325.99	3,300.18	+0.78

Source: Telekurs

International Herald Tribune

Very briefly:

• **Hewlett-Packard Co.** plans to expand its business in China through a new venture in Shanghai and government-backed research projects; the U.S. computer maker is to set up a holding company in Beijing, Hewlett-Packard China Ltd.

• **Asia Securities International Ltd.** of Hong Kong has bid to buy control of a commercial development in Beijing for 824 million Hong Kong dollars (\$106.5 million).

• **Li Ka-shing of Cheung Kong (Holdings) Ltd.** sold Hutchison Whampoa Ltd. shares for the second time in a month, raising 193.2 million Hong Kong dollars (\$25 million); the Hong Kong billionaire has reduced his share in the company to 44.19 percent from more than 45 percent.

• **Shanghai Light Industry Machinery Co.**, a machine-tool maker, suspended a plan to make 30 million state shares available to Chinese individual investors, saying it had not met "necessary conditions" for the conversion of shares.

• **Fu Yu Manufacturing Ltd.** shares rose 14 percent on their first day of trading in Singapore; the maker of plastic products closed at 43.5 cents (132.66 U.S. cents).


• **Petronas Gas Bhd.**, a unit of the Malaysian national oil company, plans to raise 800 million ringgit (\$328 million) through the sale of zero-coupon Islamic debt securities and to offer 450 million shares at 5.30 ringgit each.

• **National Power Corp.** of the Philippines is to complete plans by October to break the state utility into subsidiaries and sell the parts to private investors.

• **Niugini Mining Ltd.** completed the purchase of a 16 percent interest in the Lihir gold project in Papua New Guinea from Kennecott Explorations (Australia) Ltd. for \$48 million.

• **Taj Group of Hotels** plans to add 21 properties to its current portfolio of 41 hotels; the Indian group raised \$75 million in an April issue of global depositary receipts.

• **France** said a consortium led by Dumez would resume work on a hydroelectric power project in Jammu-Kashmir state in India that they abandoned three years ago. (AP, Bloomberg, Knight-Ridder)



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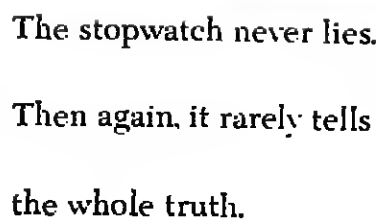
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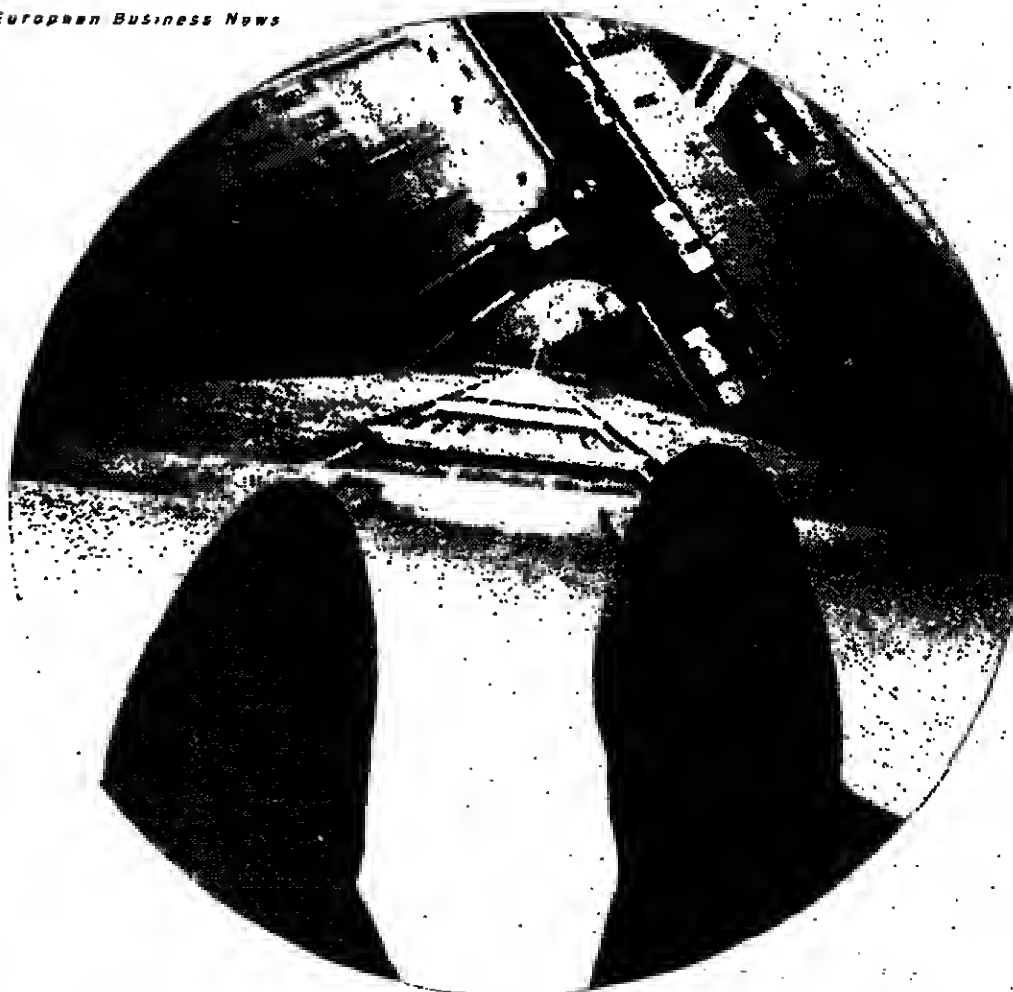
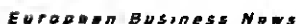
Wednesday's 4 p.m. Close
(Continued)

Rank	Name	Points	Rank	Name	Points	Rank	Name	Points
1	W. J.	101	201
2	102	202
3	103	203
4	104	204
5	105	205
6	106	206
7	107	207
8	108	208
9	109	209
10	110	210
11	111	211
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15	115	215
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23	123	223
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27	127	227
28	128	228
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31	131	231
32	132	232
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40	140	240
41	141	241
42	142	242
43	143	243
44	144	244
45	145	245
46	146	246
47	147	247
48	148	248
49	149	249
50	150	250

12 Month	High	Low	Stock	Div	Yld	P/E	50	High	Low	Land	Chg	Vol
30	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
31	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
32	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
33	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
34	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
35	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
36	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
37	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
38	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
39	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
40	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
41	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
42	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
43	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
44	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
45	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
46	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
47	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
48	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
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52	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
53	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
54	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
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58	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
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62	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
63	100	90	Amoco	1.50	4.5	15	100	100	90	100	100	100
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SPORTS

Devils Eliminate Flyers, 4-2, Will Play Detroit in Final

The Associated Press
EAST RUTHERFORD, N.J.—The New Jersey Devils finally reversed the direction of the "Turnpike Series" and are now headed to Detroit for the Stanley Cup final.

In wrapping up the Eastern Conference final in six games with a 4-2 victory Tuesday night over the Philadelphia Flyers, the Devils became the first team in the series to win at home.

"That put them into their first Stanley Cup final, where they meet the Red Wings in the first game Saturday at the rink of the Western Conference champions."

"Tonight, we went out and created opportunities," said the New Jersey forward, Randy McKay, trying to explain why the Devils finally broke the home-ice spell in this bizarre series. In which the visitors had had a 5-0 edge.

"I think we got away from our game plan a little bit in the third and fourth games" at the Meadowlands. "I thought we were sitting back too much and letting things happen. We definitely didn't have the intensity in these games."

The Devils opened the series with 4-1 and 5-2 victories in Philadelphia before coming home to lose by 3-2 in overtime and then 4-2. They then went back to Philadelphia and won Game 5 by a 3-2 score.

For a while, it looked as if the home ice "disadvantage" would hold up in Game 6, where Jim

Montgomery gave the Flyers a 1-0 lead at 4:05 of the first period.

"The first five minutes, I thought we came out strong, and the first couple of shifts after the goal we were strong," said Montgomery, who beat Martin Brodeur with a shot from the blue line that made the Devils' goaltender look had for a change.

"Then they got us back on our heels. You have to give them credit. They did what they had to do."

It's actually what the Devils didn't do that was the key to the

win. "We played against a hockey team that played as good as they could play," Hextall said. "They play great in their own zone. I think the result is 'more of a reflection of how they played as opposed to how we played. We wanted to create more chances, but they wouldn't allow us.'"

While the Flyers weren't getting many scoring chances, the Devils were making the most of their opportunities. After going up, 2-1, on a rebound goal by Brian Rolston with 1:45 left in the first period, they smothered the Flyers.

Always a difficult team to come back against, the Devils made it even tougher when McKay's goal from the slot finished off a 2-on-1 with Bobby Holik at 11:58 of the second. It was the fourth goal of the series for McKay—at that point giving him as many goals as the Flyers' vaunted "Legion of Doom" line of Eric Lindros, Mikael Renberg and John LeClair.

With a 3-1 lead going into the third period, the Devils were as good as in the final. They lost only once in 22 games this season when carrying a lead into the final period; that, not incidentally, came in Game 4 of this series at home.

When Claude Lemieux scored his 11th playoff goal on a breakaway at 10:11 of the final period, the Flyers could have packed it in. All they got the rest of the night was a harm-

less goal with 3:31 left from Renberg.

As the seconds ticked down toward the Devils' first trip to the final, Brodeur reflected on how slow the time was going.

He also was thinking back to 1994, when the Devils blew a 3-



The final whistle blew Martin Brodeur right off the ice.

less goal with 3:31 left from Renberg.

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He also was thinking back to 1994, when the Devils blew a 3-

2 lead in games in the conference finals and lost the series to the eventual Stanley Cup champion New York Rangers.

"I remember what happened last year," said Brodeur, who only had to make 14 saves Tuesday night. "I wanted to prove I could bring a team to the finals."

Indians Romp Over Orioles

Martinez Ignores Injured Knee to Go 6-0

The Associated Press
For Dennis Martinez, winning can dull the pain of torn cartilage.

Despite doctors' warnings that he might need arthroscopic surgery if his left knee acted up, winning appears to be the best rehabilitation for Martinez. He pitched his second shutout in three starts Tuesday night as the Cleveland Indians routed the visiting Baltimore Orioles 11-0.

Martinez injured his knee while running before a game in Toronto on May 28, and aggravated it a week later while pitching a shutout against the Blue Jays. But his latest victory gave him a 6-0 record, and was the Indians' 10th in their last 11 games.

"I didn't feel anything in my knee tonight," Martinez said.

Jim Thome and Albert Belle backed Martinez with home runs and three RBIs, helping the Indians improve the major league's best record to 32-11 and extending the best start in team history before a record crowd at Jacobs Field of 41,927.

"All we pitchers have to do is keep the game close, and they will break loose," Martinez said.

White Sox 7, Athletics 6: Oakland's comeback from a two-run deficit in the bottom of the ninth was ruined when Frank Thomas homered for Chicago with one out in the top of the 10th.

Thomas also doubled in a run in the first, while Robin Ventu-

ra hit two solo homers for Chicago, which won on the road for only the fifth time in 20 games this season.

Roberto Hernandez, who got the win in relief, blew a save in the ninth when Ruben Sierra made it 6-6 with a two-run, two-out homer.

Vankes 10, Tigers 4: With owner George Steinbrenner sitting behind the dugout, visiting New York won for only the

fifth time in 21 games as Mike Stanley hit a grand slam and drove in a career-high six runs.

Jack McDowell snapped a career-worst string of eight straight starts without a victory, winning for the first time since his first start of the season, April 28 in Kansas City.

Red Sox 11, Blue Jays 7: Reggie Jefferson and John Valentin both homered and drove in four runs, but Boston outfielder Mike Greenwell spent the night in a Toronto hospital after injuring his neck crashing headfirst into the left-field wall.

Greenwell, who also ho-

mered, was taken off the field in the seventh after he was hurt chasing Roberto Alomar's triple.

Valentin, who went 3-for-4 with two walks, matched his career high set in 1993 with his 11th home run of the season.

Brewers 14, Rangers 2: Texas' six-game winning streak ended in Milwaukee when starter Kevin Gross allowed six earned runs on eight hits in just 4 1/3 innings. Gross leads the AL in runs allowed (52).

Fernando Vina had three singles and two RBIs, and Jose Valentin had three RBIs for the Brewers.

Royals 3, Mariners 1: Vince Coleman extended his hitting streak to 17 games, and Kansas City, which scored twice in the seventh in Seattle, won its fourth straight.

Angels 7, Twins 2: Rookie outfielder Garret Anderson hit his first major league homer as Shawn Boskie remained undefeated in Anaheim to become the first starter for California to win his first five decisions of a season since Terry Clark in 1988.

Phillies, and Schilling, Fall to Houston, 6-5

The Associated Press
Three times, Curt Schilling made Luis Gonzalez look bad. But on the fourth at-bat, Gonzalez made the pitcher a loser for the first time this season.

Gonzalez hit a three-run homer, capping a four-run eighth inning, as the Houston Astros won, 6-5, in Philadelphia on Tuesday night to halt their own six-game losing streak and the Phillies' four-game winning streak.

Gonzalez struck out twice and hit a weak fly ball in his first three at-bats.

"He had been eating me up all game," Gonzalez said. "I was a fork ball down and in and I was fortunate enough to get it all."

Schilling, who struck out 10, took a three-hitter and a 5-2 lead into the eighth. But the Astros loaded the bases on a walk to Brian Hunter and singles by Craig Biggio and Jeff Bagwell.

After Derek Bell's sacrifice fly made it 5-3, Gonzalez turned a 1-2 pitch into his sixth homer of the year.

"Nothing bothers me more than a night like that," Schilling said.

Rockies 6, Reds 4: Andres Galarraga homered twice and drove in three runs, and Dante Bichette got three hits to extend his hitting streak to 19 as Colorado beat visiting Cincinnati.

Bichette, who singled, doubled and tripled, missed hitting for the cycle by a foot when his drive in the third was caught at the wall by left fielder Ron Gant.

Dodgers 5, Pirates 3: Ismael Valdes pitched six-hit ball for seven innings and twice started

run-scoring innings with singles as Los Angeles won in Pittsburgh.

Los Angeles led off each of the first six innings with hits, and four of the runners scored as Jon Lieber continued to struggle in Three Rivers Stadium, where he is 0-5 with a 7.26 ERA this season. Ten of the 19 Dodgers hitters to face Lieber got hits.

Mets 7, Marlins 3: Jeff Kent, coming off a 10-game road trip in which he batted .183, hit a homer, a triple and a single and drove in two runs as New York,

playing at home, ended a three-game losing streak by defeating Florida.

Giants 4, Cubs 2: Mike Benjamini got his second straight four-hit game as San Francisco won in Chicago and handed Jaime Navarro his first loss in six decisions.

Expos 11, Braves 2: Rookie Carlos Perez, who leads the league with a 1.88 ERA, hit visiting Atlanta to two runs and six hits in seven innings as Montreal won its fourth straight.

Tony Tarasco, David Segui and Sean Berry each drove in two runs; Segui, in his first home game since his trade by the Mets, went 2 for 2 with three walks and scored twice.

Cardinals 3, Padres 2: Brian Jordan's grounder drove in the winning run in the eighth as Tom Urbani allowed just three hits and a run in seven innings during St. Louis's victory over visiting San Diego. It gave the Cardinals their first three-game winning streak this year.

SCOREBOARD

Major League Standings

AMERICAN LEAGUE

East Division

W L Pct. GB

Boston 27 16 .625 0

Detroit 25 25 .500 1

Baltimore 24 26 .479 2

New York 17 33 .340 9

Toronto 17 33 .340 9

Central Division

Cleveland 32 11 .744 0

Kansas City 24 18 .571 7 1/2

Minnesota 19 24 .442 13

Chicago 16 25 .390 15

Seattle 12 33 .261 21

West Division

California 27 18 .600 0

Texas 27 18 .600 0

Oakland 24 21 .533 3

Seattle 23 21 .520 3 1/2

NATIONAL LEAGUE

East Division

W L Pct. GB

Philadelphia 26 15 .632 0

Atlanta 26 19 .576 4

New York 26 19 .576 4

Florida 13 29 .310 14 1/2

Central Division

Cincinnati 29 15 .659 0

St. Louis 29 15 .659 0

Houston 22 22 .500 5 1/2

San Diego 18 28 .391 10 1/2

West Division

Colorado 26 19 .576 0

San Francisco 24 21 .533 3

Los Angeles 21 23 .477 4 1/2

San Diego 20 23 .465 5

Tuesday's Line Scores

AMERICAN LEAGUE

Chicago 210 210 50 1-9 10 6

Detroit 410 210 210 1-4 15 1

(10 innings)

Fernandez, McCaskie (7), Hernandez (1)

and Kierkegaard (7), Lyle (7), Lyle (7)

and Heston (7), Lyle (7), Lyle (7)

3, Lyle (7), Lyle (7), Lyle (7)

111, Oakland, Sierra (11),

Hallman 800 800 0 0 0

Cleveland 010 202 402 11 14

Mossline, Moyer (6), Mills (6), Derosa (7), D.

McMichael (6), Barton (6) and J. Lopez.

PHILADELPHIA

100 110 103-4 13 0

Chicago 100 100 101-4 4 0

Philadelphia 100 100 101-4 4 0

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